SYNOVUS FINANCIAL CORP
Form 10-Q
August 06, 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 June 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 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, 2014
Common Stock, $1.00 Par Value	139,037,402

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SYNOVUS FINANCIAL CORP.
INDEX OF DEFINED TERMS

2013 Notes – Synovus' 4.875% subordinated notes due February 15, 2013
2019 Senior Notes – Synovus' outstanding 7.875% senior notes due February 15, 2019
ALCO – Synovus' Asset Liability Management Committee
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

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

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Visa Class B shares – Class B shares of Common Stock issued by Visa which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled
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)	June 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$596,425	469,630
Interest bearing funds with Federal Reserve Bank	689,284	644,528
Interest earning deposits with banks	7,661	24,325
Federal funds sold and securities purchased under resale agreements	79,553	80,975
Trading account assets, at fair value	20,318	6,113
Mortgage loans held for sale, at fair value	75,957	45,384
Other loans held for sale	2,764	10,685
Investment securities available for sale, at fair value	3,080,185	3,199,358
Loans, net of deferred fees and costs	20,455,763	20,057,798
Allowance for loan losses	(277,783)	(307,560)
Loans, net	$20,177,980	19,750,238
Premises and equipment, net	461,610	468,871
Goodwill	24,431	24,431
Other intangible assets, net	1,678	3,415
Other real estate	101,533	112,629
Deferred tax asset, net	677,513	744,646
Other assets	630,398	616,376
Total assets	$26,627,290	26,201,604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	$5,875,301	5,642,751
Interest bearing deposits, excluding brokered deposits	13,668,746	14,140,037
Brokered deposits	1,449,420	1,094,002
Total deposits	20,993,467	20,876,790
Federal funds purchased and securities sold under repurchase agreements	127,840	148,132
Long-term debt	2,256,418	2,033,141
Other liabilities	196,514	194,556
Total liabilities	$23,574,239	23,252,619
Shareholders' Equity		
Series C Preferred Stock – no par value. 5,200,000 shares outstanding at June 30, 2014 and December 31, 2013	125,980	125,862
Common stock - $1.00 par value. Authorized 342,857,143 shares; 139,835,110 issued at June 30, 2014 and 139,720,701 issued at December 31, 2013; 139,021,760 outstanding at June 30, 2014 and 138,907,351 outstanding at December 31, 2013	139,835	139,721
Additional paid-in capital	2,976,811	2,976,348
Treasury stock, at cost – 813,350 shares at June 30, 2014 and December 31, 2013	(114,176)	(114,176)
Accumulated other comprehensive loss, net	(13,716)	(41,258)

Accumulated deficit	(61,683)	(137,512)
Total shareholders’ equity	3,053,051	2,948,985
Total liabilities and shareholders' equity	$26,627,290	26,201,604

See accompanying notes to unaudited interim consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands, except per share data)	2014	2013	2014	2013
Interest income:				
Loans, including fees	$427,080	432,210	$215,737	215,656
Investment securities available for sale	29,746	23,718	14,490	12,986
Trading account assets	251	278	90	124
Mortgage loans held for sale	1,018	3,118	616	1,411
Federal Reserve Bank balances	998	1,684	472	904
Other earning assets	1,502	895	808	432
Total interest income	460,595	461,903	232,213	231,513
Interest expense:				
Deposits	27,742	32,610	13,521	15,894
Federal funds purchased and securities sold under repurchase agreements	151	170	75	80
Long-term debt	27,136	27,232	13,566	13,462
Total interest expense	55,029	60,012	27,162	29,436
Net interest income	405,566	401,891	205,051	202,077
Provision for loan losses	21,795	48,773	12,284	13,077
Net interest income after provision for loan losses	383,771	353,118	192,767	189,000
Non-interest income:				
Service charges on deposit accounts	38,451	38,716	19,238	19,195
Fiduciary and asset management fees	22,329	22,083	11,296	11,111
Brokerage revenue	12,920	14,595	6,707	7,002
Mortgage banking income	8,794	14,255	5,283	7,338
Bankcard fees	16,212	14,902	8,695	7,838
Investment securities gains, net	1,331	1,448	—	1,403
Other fee income	9,791	11,262	4,928	5,775
Decrease in fair value of private equity investments, net	(369)	(1,140)	(119)	(883)
Gain on sale of Memphis branches, net	5,789	—	—	—
Other non-interest income	18,321	13,692	7,360	6,313
Total non-interest income	133,569	129,813	63,388	65,092
Non-interest expense:				
Salaries and other personnel expense	185,985	183,396	92,540	89,479
Net occupancy and equipment expense	52,480	50,550	26,425	26,383
Third-party services	19,561	20,295	9,464	10,366
FDIC insurance and other regulatory fees	17,768	16,420	8,049	7,941
Professional fees	15,901	17,511	8,224	10,416
Advertising expense	8,757	3,399	6,281	1,821
Foreclosed real estate expense, net	9,745	18,441	4,063	7,502
Losses on other loans held for sale, net	2,226	79	(40)	(86)
Visa indemnification charges	752	801	356	764
Restructuring charges	16,293	6,607	7,716	1,758
Other operating expenses	36,897	45,973	19,127	24,842
Total non-interest expense	366,365	363,472	182,205	181,186
Income before income taxes	150,975	119,459	73,950	72,906

Income tax expense	55,686	44,350	27,078	27,371
Net income	95,289	75,109	46,872	45,535
Dividends and accretion of discount on preferred stock	5,119	29,594	2,559	14,818
Net income available to common shareholders	$90,170	45,515	44,313	30,717
Net income per common share, basic	$0.65	0.39	0.32	0.25
Net income per common share, diluted	$0.65	0.35	0.32	0.24
Weighted average common shares outstanding, basic	138,961	117,035	138,991	121,585
Weighted average common shares outstanding, diluted	139,535	130,127	139,567	130,134

See accompanying notes to unaudited interim consolidated financial statements.

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

	Six Months Ended June 30,					
	2014			2013		
(in thousands)	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	$150,975	(55,686)	95,289	119,459	(44,350)	75,109
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	224	(87)	137	224	(88)	136
Net unrealized gains (losses) on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	(1,331)	513	(818)	(1,448)	557	(891)
Net unrealized gains (losses) arising during the period	45,640	(17,572)	28,068	(60,014)	23,105	(36,909)
Net unrealized gains (losses)	44,309	(17,059)	27,250	(61,462)	23,662	(37,800)
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(144)	56	(88)	(26)	10	(16)
Actuarial gains arising during the period	395	(152)	243	830	(311)	519
Net unrealized gains	251	(96)	155	804	(301)	503
Other comprehensive income (loss)	$44,784	(17,242)	27,542	(60,434)	23,273	(37,161)
Comprehensive income			$122,831			37,948

See accompanying notes to unaudited interim consolidated financial statements.

	Three Months Ended June 30,					
	2014			2013		
(in thousands)	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	$73,950	(27,078)	46,872	72,906	(27,371)	45,535
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	112	(44)	68	112	(45)	67
Net unrealized gains (losses) on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	—	—	—	(1,403)	541	(862)
Net unrealized gains (losses) arising during the period	26,797	(10,317)	16,480	(57,850)	22,272	(35,578)
Net unrealized gains (losses)	26,797	(10,317)	16,480	(59,253)	22,813	(36,440)
Post-retirement unfunded health benefit:						
Reclassification adjustment for (gains) losses realized in net income	(72)	28	(44)	—	7	7

Actuarial gains arising during the period	395	(152)	243	844	(325)	519
Net unrealized gains	323	(124)	199	844	(318)	526
Other comprehensive income (loss)	$27,232	(10,485)	16,747	(58,297)	22,450	(35,847)
Comprehensive income			$63,619			9,688

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	—	—	—	—	—	—	75,109	75,109
Other comprehensive loss, net of income taxes	—	—	—	—	—	(37,161)	—	(37,161)
Cash dividends declared on Common Stock - $0.14 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			17,550	(17,550)				—
Restricted share unit activity	—	—	146	(1,490)	—	—	(137)	(1,481)
Stock options exercised			9	125				134
Share-based compensation expense	—	—	—	3,350	—	—	—	3,350
Balance at June 30, 2013	$962,725	—	130,887	2,823,805	(114,176)	(33,060)	(201,977)	3,568,204
Balance at December 31, 2013	$—	125,862	139,721	2,976,348	(114,176)	(41,258)	(137,512)	2,948,985
Net income	—	—	—	—	—	—	95,289	95,289
Other comprehensive income, net of income taxes	—	—	—	—	—	27,542	—	27,542
Cash dividends declared on	—	—	—	—	—	—	(19,460)	(19,460)

Common Stock - $0.14 per share								
Cash dividends paid on Series C Preferred Stock	—	—	—	(5,119)	—	—	—	(5,119)
Series C Preferred Stock issuance costs	—	118	—	—	—	—	—	118
Restricted share unit activity	—	—	39	(507)	—	—	—	(468)
Stock options exercised	—	—	75	1,229	—	—	—	1,304
Share-based compensation tax benefit	—	—	—	162	—	—	—	162
Share-based compensation expense	—	—	—	4,698	—	—	—	4,698
Balance at June 30, 2014	$—	125,980	139,835	2,976,811	(114,176)	(13,716)	(61,683)	3,053,051

See accompanying notes to unaudited interim consolidated financial statements.

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

	Six Months Ended June 30,	
(in thousands)	2014	2013
Operating Activities		
Net income	$95,289	75,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	21,795	48,773
Depreciation, amortization, and accretion, net	26,342	32,520
Deferred income tax expense	49,891	40,456
Decrease in interest receivable	4,263	4,476
Decrease in interest payable	(1,515)	(2,880)
(Increase) decrease in trading account assets	(14,205)	33
Originations of mortgage loans held for sale	(347,327)	(539,281)
Proceeds from sales of mortgage loans held for sale	323,940	627,950
Gains on sales of mortgage loans held for sale	(5,493)	(11,168)
(Increase) decrease in fair value of mortgage loans held for sale	(1,782)	7,930
(Increase) decrease in other assets	(13,247)	26,014
Decrease in accrued salaries and benefits	(5,210)	(15,480)
Increase (decrease) in other liabilities	7,928	(12,635)
Investment securities gains, net	(1,331)	(1,448)
Losses on sales of other loans held for sale, net	2,226	79
Losses and write-downs on other real estate, net	8,229	14,314
Decrease in fair value of private equity investments, net	369	1,140
Increase in accrual for Visa indemnification	752	801
Share-based compensation expense	4,698	3,350
Write-downs on other assets held for sale	7,508	170
Gain on sale of Memphis branches, net	(5,789)	—
Gain on sale of branch property	(3,116)	—
Other, net	—	(581)
Net cash provided by operating activities	$154,215	299,642
Investing Activities		
Net cash (used) received in dispositions/acquisitions	(90,571)	56,328
Net decrease in interest earning deposits with banks	16,664	1,377
Net decrease in federal funds sold and securities purchased under resale agreements	1,422	24,881
Net (increase) decrease in interest bearing funds with Federal Reserve Bank	(44,756)	39,139
Proceeds from maturities and principal collections of investment securities available for sale	245,108	392,737
Proceeds from sales of investment securities available for sale	20,815	347,386
Purchases of investment securities available for sale	(111,505)	(925,603)
Proceeds from sales of loans	36,530	82,753
Proceeds from sales of other real estate	28,147	49,535
Principal repayments by borrowers on other loans held for sale	770	334
Net increase in loans	(594,896)	(276,715)
Purchases of premises and equipment	(28,776)	(15,798)
Proceeds from disposals of premises and equipment	4,838	21
Proceeds from sales of other assets held for sale	241	918

Net cash used in investing activities	$(515,969)	(222,707)
Financing Activities		
Net increase (decrease) in demand and savings deposits	208,039	(416,596)
Net increase in certificates of deposit	100,011	13,428
Net (decrease) increase in federal funds purchased and securities sold under repurchase agreements	(20,292)	21,690

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Principal repayments on long-term debt	(625)	(150,807)
Proceeds from issuance of long-term debt	224,958	311,732
Dividends paid to common shareholders	(19,460)	(16,981)
Dividends paid to preferred shareholders	(5,119)	(24,197)
Stock options exercised	1,304	134
Excess tax benefit from share-based compensation	201	—
Restricted stock activity	(468)	(1,481)
Net cash provided by (used in) financing activities	$488,549	(263,078)
Increase (decrease) in cash and cash equivalents	126,795	(186,143)
Cash and cash equivalents at beginning of period	469,630	614,630
Cash and cash equivalents at end of period	$596,425	428,487
Supplemental Cash Flow Information		
Cash paid during the period for:		
Income tax payments, net	4,530	1,437
Interest paid	56,657	62,763
Non-cash Activities		
Mortgage loans held for sale transferred to loans at fair value	89	14,471
Premises and equipment transferred to other assets held for sale	13,037	—
Loans foreclosed and transferred to other real estate	25,280	51,835
Loans transferred to other loans held for sale at fair value	31,605	87,189
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
Securities sold during the period but settled after period-end	—	(13,198)
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.

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 June 30, 2014 and December 31, 2013, cash and cash equivalents included $98.1 million and $104.9 million, respectively, on deposit to meet Federal Reserve Bank requirements. At June 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 $9.4 million and $11.1 million at June 30, 2014 and December 31, 2013, respectively, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include $73.1 million at June 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 period's 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 - 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 3 - 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 operations 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 six months ended June 30, 2014 reflect a pre-tax gain, net of associated costs, of $5.8 million relating to this transaction.

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Note 4 - Investment Securities

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

	June 30, 2014			
(in thousands)	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$17,793	—	—	17,793
U.S. Government agency securities	33,264	1,028	—	34,292
Securities issued by U.S. Government sponsored enterprises	111,795	1,014	—	112,809
Mortgage-backed securities issued by U.S. Government agencies	173,296	1,848	(766)	174,378
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,327,735	21,176	(10,616)	2,338,295
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	384,836	4,125	(2,488)	386,473
State and municipal securities	5,222	209	(2)	5,429
Equity securities	3,228	3,725	—	6,953
Other investments	4,099	—	(336)	3,763
Total investment securities available for sale	$3,061,268	33,125	(14,208)	3,080,185

	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 June 30, 2014 and December 31, 2013, investment securities with a carrying value of $2.15 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 June 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 June 30, 2014, Synovus had one investment security in a loss position for less than twelve months and forty-six 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 June 30, 2014 and December 31, 2013, are presented below.

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(in thousands)	June 30, 2014 Less than 12 Months Fair Value	Gross Unrealized Losses	12 Months or Longer Fair Value	Gross Unrealized Losses	Total 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	—	—	30,922	766	30,922	766
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	—	1,052,375	10,616	1,052,375	10,616
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	125,675	2,488	125,675	2,488
State and municipal securities	—	—	42	2	42	2
Equity securities	—	—	—	—	—	—
Other investments	1,897	202	1,866	134	3,763	336
Total	$1,897	202	1,210,880	14,006	1,212,777	14,208

(in thousands)	December 31, 2013 Less than 12 Months Fair Value	Gross Unrealized Losses	12 Months or Longer Fair Value	Gross Unrealized Losses	Total 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	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 June 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.

	Distribution of Maturities at June 30, 2014					
(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	$17,793	—	—	—	—	17,793
U.S. Government agency securities	114	9,097	24,053	—	—	33,264
Securities issued by U.S. Government sponsored enterprises	30,030	81,765	—	—	—	111,795
Mortgage-backed securities issued by U.S. Government agencies	15	1	—	173,280	—	173,296
Mortgage-backed securities issued by U.S. Government sponsored enterprises	102	2,429	1,913,531	411,673	—	2,327,735
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	384,836	—	384,836
State and municipal securities	95	2,098	289	2,740	—	5,222
Equity securities	—	—	—	—	3,228	3,228
Other investments	—	—	—	2,000	2,099	4,099
Total amortized cost	$48,149	95,390	1,937,873	974,529	5,327	3,061,268
Fair Value						
U.S. Treasury securities	$17,793	—	—	—	—	17,793
U.S. Government agency securities	114	9,414	24,764	—	—	34,292
Securities issued by U.S. Government sponsored enterprises	30,187	82,622	—	—	—	112,809
Mortgage-backed securities issued by U.S. Government agencies	15	1	—	174,362	—	174,378
Mortgage-backed securities issued by U.S. Government sponsored enterprises	108	2,595	1,913,923	421,669	—	2,338,295
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	386,473	—	386,473
State and municipal securities	95	2,139	308	2,887	—	5,429
Equity securities	—	—	—	—	6,953	6,953
Other investments	—	—	—	1,866	1,897	3,763

Total fair value	$48,312	96,771	1,938,995	987,257	8,850	3,080,185

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale for the six and three months ended June 30, 2014 and 2013 are presented below. Other-than-temporary impairment charges of $88 thousand are included in gross realized losses for the six months ended June 30, 2014. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale.

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Proceeds from sales of investment securities available for sale	$20,815	$347,386	—	135,146
Gross realized gains	1,419	2,036	—	1,760
Gross realized losses	(88)	(588)	—	(357)
Investment securities gains, net	$1,331	1,448	—	1,403

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Note 5 - Restructuring Charges

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

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Severance charges	$8,047	6,610	—	1,737
Asset impairment charges	7,358	—	7,358	—
Professional fees and other charges	888	(3)	358	21
Total restructuring charges	$16,293	6,607	7,716	1,758

In January 2014, Synovus announced the planned implementation during 2014 of new expense savings initiatives which are expected to result in annualized cost savings of $30 million. 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. Restructuring charges for the fourth quarter of 2014 are expected to include approximately $6 million in charges related to lease exit costs associated with the planned branch closings (based upon the expectation that these leased facilities will cease to be used during the fourth quarter of 2014).

Severance charges recorded during the six months ended June 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 June 30, 2014, the liability for restructuring activities was $6.3 million, and consisted primarily of involuntary termination benefits (accounted for in accordance with ASC 712) which are expected to be paid in lump sums during the remainder of 2014.

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Note 6 - Loans and Allowance for Loan Losses

The following is a summary of current, accruing past due, and non-accrual loans by portfolio class as of June 30, 2014 and December 31, 2013.

Current, Accruing Past Due, and Non-accrual Loans

	June 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	$4,767,934	1,488	—	1,488	40,927	4,810,349
1-4 family properties	1,026,506	5,455	417	5,872	26,711	1,059,089
Land acquisition	553,949	1,695	347	2,042	42,564	598,555
Total commercial real estate	6,348,389	8,638	764	9,402	110,202	6,467,993
Commercial, financial and agricultural	5,504,255	11,977	806	12,783	57,903	5,574,941
Owner-occupied	3,748,944	7,502	828	8,330	29,005	3,786,279
Small business	873,574	5,134	652	5,786	7,210	886,570
Total commercial and industrial	10,126,773	24,613	2,286	26,899	94,118	10,247,790
Home equity lines	1,641,202	6,781	141	6,922	16,396	1,664,520
Consumer mortgages	1,512,811	11,652	215	11,867	36,433	1,561,111
Credit cards	252,538	1,502	1,329	2,831	—	255,369
Other retail	283,030	2,444	63	2,507	2,398	287,935
Total retail	3,689,581	22,379	1,748	24,127	55,227	3,768,935
Total loans	$20,164,743	55,630	4,798	60,428	259,547	20,484,718 (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	$4,533,708	3,552	40	3,592	66,454	4,603,754
1-4 family properties	1,115,858	6,267	527	6,794	33,819	1,156,471
Land acquisition	549,838	1,100	300	1,400	154,095	705,333
Total commercial real estate	6,199,404	10,919	867	11,786	254,368	6,465,558
Commercial, financial and agricultural	5,413,614	16,251	721	16,972	59,628	5,490,214
Owner-occupied	3,749,052	9,341	66	9,407	36,980	3,795,439
Small business	676,947	4,506	155	4,661	5,608	687,216
Total commercial and industrial	9,839,613	30,098	942	31,040	102,216	9,972,869
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 $29.0 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

	June 30, 2014						
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss		Total
Investment properties	$4,453,645	228,334	128,370	—	—		4,810,349
1-4 family properties	832,074	100,763	118,205	8,047	—		1,059,089
Land acquisition	463,764	60,134	73,717	940	—		598,555
Total commercial real estate	5,749,483	389,231	320,292	8,987	—		6,467,993
Commercial, financial and agricultural	5,209,016	186,667	170,974	8,199	85	(3)	5,574,941
Owner-occupied	3,478,985	160,617	145,732	512	433	(3)	3,786,279
Small business	871,090	—	14,249	1,231	—		886,570
Total commercial and industrial	9,559,091	347,284	330,955	9,942	518		10,247,790
Home equity lines	1,640,278	—	20,559	1,660	2,023	(3)	1,664,520
Consumer mortgages	1,518,211	—	40,499	2,158	243	(3)	1,561,111
Credit cards	254,039	—	382	—	948	(4)	255,369
Other retail	283,873	—	3,920	32	110	(3)	287,935
Total retail	3,696,401	—	65,360	3,850	3,324		3,768,935
Total loans	$19,004,975	736,515	716,607	22,779	3,842		20,484,718 (5)

	December 31, 2013						
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss		Total
Investment properties	$4,184,748	249,890	167,392	1,724	—		4,603,754
1-4 family properties	892,512	126,715	128,890	8,062	292	(3)	1,156,471
Land acquisition	421,956	94,316	186,514	2,547	—		705,333
Total commercial real estate	5,499,216	470,921	482,796	12,333	292		6,465,558
Commercial, financial and agricultural	5,053,808	224,620	201,410	10,286	90	(3)	5,490,214
Owner-occupied	3,478,359	155,097	160,173	1,810	—		3,795,439
Small business	674,200	—	12,219	797	—		687,216
Total commercial and industrial	9,206,367	379,717	373,802	12,893	90		9,972,869
Home equity lines	1,559,272	—	24,931	1,448	1,890	(3)	1,587,541
Consumer mortgages	1,475,928	—	40,935	1,918	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	—	69,807	3,441	3,267		3,648,233
Total loans	$18,277,301	850,638	926,405	28,667	3,649		20,086,660 (6)

(1) Includes $232.9 million and $384.0 million of non-accrual Substandard loans at June 30, 2014 and December 31, 2013, respectively.
(2) The loans within this risk grade are on non-accrual status and have an allowance for loan losses generally 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 $29.0 million.
(6)Total before net deferred fees and costs of $28.9 million.

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The following table details the changes in the allowance for loan losses by loan segment for the six months ended June 30, 2014 and 2013.
Allowance for Loan Losses and Recorded Investment in Loans

	As Of and For The Six Months Ended June 30, 2014				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$127,012	116,069	41,479	23,000	307,560
Allowance for loan losses of sold branches	(281)	(398)	(340)	—	(1,019)
Charge-offs	(35,906)	(15,590)	(12,860)	—	(64,356)
Recoveries	5,216	4,308	4,279	—	13,803
Provision (credit) for loan losses	6,183	28,585	10,027	(23,000)	21,795
Ending balance	$102,224	132,974	42,585	—	277,783
Ending balance: individually evaluated for impairment	21,470	19,053	961	—	41,484
Ending balance: collectively evaluated for impairment	$80,754	113,921	41,624	—	236,299
Loans:					
Ending balance: total loans[(1)]	$6,467,993	10,247,790	3,768,935	—	20,484,718
Ending balance: individually evaluated for impairment	331,414	202,899	51,181	—	585,494
Ending balance: collectively evaluated for impairment	$6,136,579	10,044,891	3,717,754	—	19,899,224

	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	138,495	38,984	28,000	373,405
Charge-offs	(64,351)	(30,232)	(20,452)	—	(115,035)
Recoveries	9,095	15,114	3,528	—	27,737
Provision (credit) for loan losses	25,659	9,813	18,301	(5,000)	48,773
Ending balance	$138,329	133,190	40,361	23,000	334,880
Ending balance: individually evaluated for impairment	47,039	27,775	1,197	—	76,011
Ending balance: collectively evaluated for impairment	$91,290	105,415	39,164	23,000	258,869
Loans:					
Ending balance: total loans[(2)]	$6,414,750	9,727,959	3,489,341	—	19,632,050
Ending balance: individually evaluated for impairment	624,402	284,559	58,491	—	967,452
Ending balance: collectively evaluated for impairment	$5,790,348	9,443,400	3,430,850	—	18,664,598

[(1)] Total before net deferred fees and costs of $29.0 million.
[(2)] Total before net deferred fees and costs of $23.8 million.

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The following table details the changes in the allowance for loan losses by loan segment for the three months ended June 30, 2014 and 2013.

Allowance for Loan Losses and Recorded Investment in Loans

	As Of and For The Three Months Ended June 30, 2014				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$126,955	128,346	45,570	—	300,871
Charge-offs	(27,960)	(7,554)	(6,567)	—	(42,081)
Recoveries	2,989	2,355	1,365	—	6,709
Provision for loan losses	240	9,827	2,217	—	12,284
Ending balance	$102,224	132,974	42,585	—	277,783
Ending balance: individually evaluated for impairment	21,470	19,053	961	—	41,484
Ending balance: collectively evaluated for impairment	$80,754	113,921	41,624	—	236,299
Loans:					
Ending balance: total loans[1]	$6,467,993	10,247,790	3,768,935	—	20,484,718
Ending balance: individually evaluated for impairment	331,414	202,899	51,181	—	585,494
Ending balance: collectively evaluated for impairment	$6,136,579	10,044,891	3,717,754	—	19,899,224

	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	134,657	43,124	28,000	351,772
Charge-offs	(28,075)	(11,014)	(8,827)	—	(47,916)
Recoveries	5,493	10,696	1,758	—	17,947
Provision (credit) for loan losses	14,920	(1,149)	4,306	(5,000)	13,077
Ending balance	$138,329	133,190	40,361	23,000	334,880
Ending balance: individually evaluated for impairment	47,039	27,775	1,197	—	76,011
Ending balance: collectively evaluated for impairment	$91,290	105,415	39,164	23,000	258,869
Loans:					
Ending balance: total loans[2]	$6,414,750	9,727,959	3,489,341	—	19,632,050
Ending balance: individually evaluated for impairment	624,402	284,559	58,491	—	967,452
Ending balance: collectively evaluated for impairment	$5,790,348	9,443,400	3,430,850	—	18,664,598

[1]Total before net deferred fees and costs of $29.0 million.

[2]Total before net deferred fees and costs of $23.8 million.

During the first quarter of 2014, Synovus designated $23.0 million of allowance for loan losses that was included in the unallocated component of the allowance for loan losses at December 31, 2013 to the allowance for loan losses allocated to the respective loan segments. The allocation of the allowance for loan losses to the loan segments related to the qualitative factors evaluated at December 31, 2013 on a total loan portfolio basis and included in the unallocated component of the allowance for loan losses at December 31, 2013. These qualitative factors consider the inherent risk of loss relating to the following:

- experience, ability, and depth of lending management, loan review personnel, and other relevant staff
- national and local economic trends and conditions
- underlying value of collateral dependent loans, which impacts trends in charge-offs and recoveries that are not included in the expected loss factors
- trends in volume and terms of loans
- effects of changes in credit concentrations
- model uncertainty

Management determined that, prospectively, the assessment of these qualitative factors for each loan segment would improve the overall level of precision of the allowance for loan loss estimation process. The designation of this component of the unallocated allowance to the allocated allowance did not result in a change to the total allowance for loan losses or provision expense for the

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first quarter of 2014. The allowance for loan losses continues to consist of an allocated component (which includes the qualitative factors noted above as well as the qualitative factors disclosed in Synovus' 2013 Form 10-K) and an unallocated component. Beginning March 31, 2014, the unallocated component relates to risk elements, if any, which are not already included in the allocated allowance.

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The tables below summarize impaired loans (including accruing TDRs) as of June 30, 2014 and December 31, 2013.
Impaired Loans (including accruing TDRs)

	June 30, 2014			Six Months Ended June 30, 2014		Three Months Ended June 30, 2014	
(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	$34,064	45,351	—	20,840	—	27,491	—
1-4 family properties	4,036	21,206	—	6,901	—	5,219	—
Land acquisition	30,896	94,899	—	31,988	—	34,596	—
Total commercial real estate	68,996	161,456	—	59,729	—	67,306	—
Commercial, financial and agricultural	10,242	20,296	—	11,483	—	10,046	—
Owner-occupied	21,606	23,379	—	22,565	—	21,471	—
Small business	—	—	—	—	—	—	—
Total commercial and industrial	31,848	43,675	—	34,048	—	31,517	—
Home equity lines	—	—	—	—	—	—	—
Consumer mortgages	2,310	2,527	—	1,271	—	1,889	—
Credit cards	—	—	—	—	—	—	—
Other retail	—	—	—	—	—	—	—
Total retail	2,310	2,527	—	1,271	—	1,889	—
Total impaired loans with no related allowance recorded	$103,154	207,658	—	95,048	—	100,712	—
With allowance recorded							
Investment properties	$120,684	121,771	3,757	152,469	2,070	136,574	992
1-4 family properties	93,058	93,916	12,782	103,152	1,577	95,931	763
Land acquisition	48,676	48,780	4,931	130,032	846	86,284	374
Total commercial real estate	262,418	264,467	21,470	385,653	4,493	318,789	2,129
Commercial, financial and agricultural	80,669	80,834	14,666	100,319	1,261	94,848	503
Owner-occupied	80,850	81,007	3,943	82,376	1,400	78,791	670
Small business	9,532	9,532	444	8,034	112	9,027	97
Total commercial and industrial	171,051	171,373	19,053	190,729	2,773	182,666	1,270
Home equity lines	3,573	3,573	85	2,974	32	3,342	32
Consumer mortgages	39,781	39,781	779	41,265	541	39,940	471
Credit cards	—	—	—	—	—	—	—
Other retail	5,517	5,517	97	4,753	141	5,275	85
Total retail	48,871	48,871	961	48,992	714	48,557	588
Total impaired loans with allowance recorded	$482,340	484,711	41,484	625,374	7,980	550,012	3,987
Total impaired loans							
Investment properties	$154,748	167,122	3,757	173,309	2,070	164,065	992
1-4 family properties	97,094	115,122	12,782	110,053	1,577	101,150	763
Land acquisition	79,572	143,679	4,931	162,020	846	120,880	374
Total commercial real estate	331,414	425,923	21,470	445,382	4,493	386,095	2,129

Commercial, financial and agricultural	90,911	101,130	14,666	111,802	1,261	104,894	503
Owner-occupied	102,456	104,386	3,943	104,941	1,400	100,262	670
Small business	9,532	9,532	444	8,034	112	9,027	97
Total commercial and industrial	202,899	215,048	19,053	224,777	2,773	214,183	1,270
Home equity lines	3,573	3,573	85	2,974	32	3,342	32
Consumer mortgages	42,091	42,308	779	42,536	541	41,829	471
Credit cards	—	—	—	—	—	—	—
Other retail	5,517	5,517	97	4,753	141	5,275	85
Total retail	51,181	51,398	961	50,263	714	50,446	588
Total impaired loans	$585,494	692,369	41,484	720,422	7,980	650,724	3,987

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Impaired Loans (including accruing TDRs)

	December 31, 2013			Year Ended December 31, 2013	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Investment properties	$14,218	15,820	—	18,046	—
1-4 family properties	9,679	29,741	—	23,879	—
Land acquisition	30,595	78,470	—	41,007	—
Total commercial real estate	54,492	124,031	—	82,932	—
Commercial, financial and agricultural	13,490	22,312	—	15,355	—
Owner-occupied	24,839	32,626	—	22,556	—
Small business	—	—	—	—	—
Total commercial and industrial	38,329	54,938	—	37,911	—
Home equity lines	—	—	—	33	—
Consumer mortgages	1,180	2,840	—	1,487	—
Credit cards	—	—	—	—	—
Other retail	—	—	—	4	—
Total retail	1,180	2,840	—	1,524	—
Total impaired loans with no related allowance recorded	$94,001	181,809	—	122,367	—
With allowance recorded					
Investment properties	$186,058	193,765	8,863	226,987	5,062
1-4 family properties	115,063	117,410	11,126	115,614	3,464
Land acquisition	183,029	202,048	26,789	191,807	2,931
Total commercial real estate	484,150	513,223	46,778	534,408	11,457
Commercial, financial and agricultural	112,291	117,049	15,364	126,242	3,534
Owner-occupied	86,661	92,529	4,327	106,186	3,590
Small business	5,669	5,669	336	4,132	162
Total commercial and industrial	204,621	215,247	20,027	236,560	7,286
Home equity lines	2,750	2,750	116	4,668	176
Consumer mortgages	44,019	44,019	967	48,674	1,910
Credit cards	—	—	—	—	—
Other retail	7,013	7,013	109	5,555	285
Total retail	53,782	53,782	1,192	58,897	2,371
Total impaired loans with allowance recorded	$742,553	782,252	67,997	829,865	21,114
Total impaired loans					
Investment properties	$200,276	209,585	8,863	245,033	5,062
1-4 family properties	124,742	147,151	11,126	139,493	3,464
Land acquisition	213,624	280,518	26,789	232,814	2,931
Total commercial real estate	538,642	637,254	46,778	617,340	11,457
Commercial, financial and agricultural	125,781	139,361	15,364	141,597	3,534
Owner-occupied	111,500	125,155	4,327	128,742	3,590
Small business	5,669	5,669	336	4,132	162
Total commercial and industrial	242,950	270,185	20,027	274,471	7,286
Home equity lines	2,750	2,750	116	4,701	176
Consumer mortgages	45,199	46,859	967	50,161	1,910

Credit cards	—	—	—	—	—
Other retail	7,013	7,013	109	5,559	285
Total retail	54,962	56,622	1,192	60,421	2,371
Total impaired loans	$836,554	964,061	67,997	952,232	21,114

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The average recorded investment in impaired loans was $720.4 million and $650.7 million for the six and three months ended June 30, 2014, respectively. Excluding accruing TDRs, there was no interest income recognized for the investment in impaired loans for the six and three months ended June 30, 2014 and 2013. Interest income recognized for accruing TDRs was $8.0 million and $4.0 million, respectively, for the six and three months ended June 30, 2014 and $10.8 million and $5.4 million, respectively, for the six and three months ended June 30, 2013 . At June 30, 2014 and December 31, 2013, all impaired loans other than $444.1 million and $556.4 million, respectively, of accruing TDRs, were on non-accrual status.

Concessions provided in a TDR are primarily in the form of providing a below market interest rate given the borrower's credit risk, a period of time generally less than one year with a reduction of required principal and/or interest payments (e.g., interest only for a period of time), or extension of the maturity of the loan generally for less than one year. Insignificant periods of reduction of principal and/or interest payments, or one time deferrals of 3 months or less, are generally not considered to be financial concessions.

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The following tables represent, by concession type, the post-modification balance for loans modified or renewed during the six and three months ended June 30, 2014 and 2013 that were reported as accruing or non-accruing TDRs.
TDRs by Concession Type

	Six Months Ended June 30, 2014					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	6	$—	7,143	1,339	8,482	
1-4 family properties	18	—	1,036	1,511	2,547	
Land acquisition	11	—	4,282	2,042	6,324	
Total commercial real estate	35	—	12,461	4,892	17,353	
Commercial, financial and agricultural	13	—	4,070	9,242	13,312	
Owner-occupied	9	—	19,315	14,151	33,466	
Small business	46	—	1,746	5,071	6,817	
Total commercial and industrial	68	—	25,131	28,464	53,595	
Home equity lines	6	—	728	451	1,179	
Consumer mortgages	8	—	1,753	103	1,856	
Credit cards	—	—	—	—	—	
Other retail	10	—	442	235	677	
Total retail	24	—	2,923	789	3,712	
Total TDRs	127	$—	40,515	34,145	74,660	(1)

	Three Months Ended June 30, 2014					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	3	$—	—	1,019	1,019	
1-4 family properties	14	—	903	425	1,328	
Land acquisition	10	—	4,282	1,508	5,790	
Total commercial real estate	27	—	5,185	2,952	8,137	
Commercial, financial and agricultural	6	—	2,279	7,037	9,316	
Owner-occupied	2	—	16,827	11,333	28,160	
Small business	23	—	1,450	1,755	3,205	
Total commercial and industrial	31	—	20,556	20,125	40,681	
Home equity lines	4	—	487	405	892	
Consumer mortgages	7	—	1,652	103	1,755	
Credit cards	—	—	—		—	
Other retail	6	—	442	118	560	
Total retail	17	—	2,581	626	3,207	
Total TDRs	75	$—	28,322	23,703	52,025	(2)

(1) No net charge-offs were recorded during the six months ended June 30, 2014 upon restructuring of these loans.
(2) No net charge-offs were recorded during the three months ended June 30, 2014 upon restructuring of these loans.

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TDRs by Concession Type

Six Months Ended June 30, 2013

(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	31	$—	47,152	4,372	51,524	
1-4 family properties	58	424	24,031	6,496	30,951	
Land acquisition	16	74	5,332	7,231	12,637	
Total commercial real estate	105	498	76,515	18,099	95,112	
Commercial, financial and agricultural	57	183	17,907	8,990	27,080	
Owner-occupied	27	—	15,620	14,335	29,955	
Small business	24	—	917	1,608	2,525	
Total commercial and industrial	108	183	34,444	24,933	59,560	
Home equity lines	1	—	—	80	80	
Consumer mortgages	84	—	7,124	3,038	10,162	
Credit cards	—	—	—	—	—	
Other retail	38	—	460	1,028	1,488	
Total retail	123	—	7,584	4,146	11,730	
Total TDRs	336	$681	118,543	47,178	166,402	(1)

Three Months Ended June 30, 2013

(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	17	$—	31,375	2,258	33,633	
1-4 family properties	21	—	17,067	2,312	19,379	
Land acquisition	6	—	1,353	6,902	8,255	
Total commercial real estate	44	—	49,795	11,472	61,267	
Commercial, financial and agricultural	30	—	9,430	7,253	16,683	
Owner-occupied	10	—	10,337	11,881	22,218	
Small business	11	—	30	934	964	
Total commercial and industrial	51	—	19,797	20,068	39,865	
Home equity lines	—	—	—	—	—	
Consumer mortgages	38	—	2,204	435	2,639	
Credit cards	—	—	—	—	—	
Other retail	14	—	88	362	450	
Total retail	52	—	2,292	797	3,089	
Total TDRs	147	$—	71,884	32,337	104,221	(2)

(1) Net charge-offs of $53 thousand were recorded during the six months ended June 30, 2013 upon restructuring of these loans.
(2) No net charge-offs were recorded during the three months ended June 30, 2013 upon restructuring of these loans.

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The following table presents TDRs that defaulted in the periods indicated and which were modified or renewed in a TDR within 12 months of the default date.

Troubled Debt Restructurings Entered Into That Subsequently Defaulted* During

	Six Months Ended June 30, 2014		Three Months Ended June 30, 2014	
(in thousands, except contract data)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Investment properties	1	$186	—	$—
1-4 family properties	3	1,018	3	1,018
Land acquisition	1	428	1	428
Total commercial real estate	5	1,632	4	1,446
Commercial, financial and agricultural	2	1,378	1	856
Owner-occupied	—	—	—	—
Small business	—	—	—	—
Total commercial and industrial	2	1,378	1	856
Home equity lines	—	—	—	—
Consumer mortgages	1	70	1	70
Credit cards	—	—	—	—
Other retail	—	—	—	—
Total retail	1	70	1	70
Total TDRs	8	$3,080	6	$2,372

* Default is defined as the earlier of the troubled debt restructuring being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments.

Troubled Debt Restructurings Entered Into That Subsequently Defaulted* During

	Six Months Ended June 30, 2013		Three Months Ended June 30, 2013	
(in thousands, except contract data)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Investment properties	2	$4,519	—	$—
1-4 family properties	8	10,754	6	1,809
Land acquisition	1	126	1	125
Total commercial real estate	11	15,399	7	1,934
Commercial, financial and agricultural	2	389	1	119
Owner-occupied	2	924	1	68
Small business	1	20	1	20
Total commercial and industrial	5	1,333	3	207
Home equity lines	—	—	—	—
Consumer mortgages	13	978	3	420
Credit cards	—	—	—	—
Other retail	1	195	—	—
Total retail	14	1,173	3	420
Total TDRs	30	$17,905	13	$2,561

* Default is defined as the earlier of the troubled debt restructuring being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments.

If, at the time a loan was designated as a TDR, the loan was not already impaired, the measurement of impairment that resulted from the TDR designation changes from a general pool-level reserve to a specific loan measurement of impairment in accordance with ASC 310-10-35. Generally, the change in the allowance for loan losses resulting from such TDR designation is not significant. At June 30, 2014, the allowance for loan losses allocated to accruing TDRs totaling $444.1 million was $24.3 million compared to accruing TDRs of $556.4 million with an allocated allowance for loan losses of $27.7 million at December 31, 2013. Non-accrual, non-homogeneous loans (commercial-type impaired loans greater than $1 million) that are designated as TDRs, are individually measured for the amount of impairment, if any, both before and after the TDR designation.

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Note 7 - Other Real Estate

ORE consists of properties obtained through a foreclosure proceeding or through an in-substance foreclosure in satisfaction of loans. In accordance with provisions of ASC 310-10-35 regarding subsequent measurement of loans for impairment and ASC 310-40-15 regarding accounting for troubled debt restructurings by a creditor, a loan is classified as an in-substance foreclosure when Synovus has taken possession of the collateral regardless of whether formal foreclosure proceedings have taken place.

At foreclosure, ORE is recorded at the lower of cost or fair value less the estimated cost to sell, which establishes a new cost basis. Subsequent to foreclosure, ORE is evaluated quarterly and reported at fair value less estimated costs to sell, not to exceed the new cost basis, determined on the basis of current appraisals, comparable sales, and other estimates of fair value obtained principally from independent sources, adjusted for estimated selling costs. Management also considers other factors or recent developments such as changes in absorption rates or market conditions from the time of valuation and anticipated sales values considering management’s plans for disposition, which could result in an adjustment to lower the collateral value estimates indicated in the appraisals. At the time of foreclosure or initial possession of collateral, any excess of the loan balance over the fair value of the real estate held as collateral, less costs to sell, is recorded as a charge against the allowance for loan losses. Revenue and expenses from ORE operations as well as gains or losses on sales are recorded as foreclosed real estate expense, net, a component of non-interest expense on the consolidated statements of income. Subsequent declines in fair value are recorded on a property-by-property basis through use of a valuation allowance within other real estate on the consolidated balances sheets and valuation adjustment account in foreclosed real estate expense, net, a component of non-interest expense on the consolidated statements of income.

The carrying value of ORE was $101.5 million and $112.6 million at June 30, 2014 and December 31, 2013, respectively. During the six months ended June 30, 2014 and 2013, $25.3 million and $53.2 million, respectively, of loans and other loans held for sale were foreclosed and transferred to other real estate at fair value. During the six months ended June 30, 2014 and 2013, Synovus recognized foreclosed real estate expense, net, of $9.7 million and $18.4 million, respectively. These expenses included write-downs for declines in fair value of ORE subsequent to the date of foreclosure and net realized losses resulting from sales transactions totaling $8.2 million and $14.3 million for the six months ended June 30, 2014 and 2013, respectively.

Note 8 - Goodwill

At June 30, 2014, the carrying value of goodwill was $24.4 million. Synovus assesses goodwill for impairment at the reporting unit level on an annual basis and between annual assessments if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Synovus performs its annual goodwill impairment testing as of June 30th of each year. At June 30, 2014, Synovus completed its annual goodwill impairment evaluation, and as a result of this evaluation, concluded that goodwill was not impaired.

For the annual goodwill impairment test, the fair value of the reporting unit was determined by using the income approach. The first step (Step 1) of impairment testing requires a comparison of the reporting unit's fair value to the carrying amount to identify potential impairment. The result of the Step 1 process indicated that goodwill of the reporting unit was not impaired, as the fair value of the reporting unit exceeded the respective carrying value; therefore, no further testing was required. The estimated fair value of the reporting unit was $134.1 million, which exceeded the carrying value of $76.6 million by $57.5 million, or 75%. The key assumptions that drove the fair value of this reporting unit under the income approach included projected revenue growth, projected EBITDA margin, long-term growth rate, and the discount rate.

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Note 9 - Other Comprehensive Income (Loss)
The following table illustrates activity within the balances in accumulated other comprehensive income (loss) by component, and is shown for the six and three months ended June 30, 2014 and 2013.
Changes in Accumulated Other Comprehensive Income (Loss) by Component (Net of Income Taxes)

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance as of December 31, 2013	$(13,099)	(28,936)	777	(41,258)
Other comprehensive income before reclassifications	—	28,068	243	28,311
Amounts reclassified from accumulated other comprehensive income (loss)	137	(818)	(88)	(769)
Net current period other comprehensive income (loss)	137	27,250	155	27,542
Balance as of June 30, 2014	$(12,962)	(1,686)	932	(13,716)
Balance as of April 1, 2014	$(13,030)	(18,166)	733	(30,463)
Other comprehensive income before reclassifications	—	16,480	243	16,723
Amounts reclassified from accumulated other comprehensive income (loss)	68	—	(44)	24
Net current period other comprehensive income (loss)	68	16,480	199	16,747
Balance as of June 30, 2014	$(12,962)	(1,686)	932	(13,716)

Changes in Accumulated Other Comprehensive Income (Loss) by Component (Net of Income Taxes)

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance as of December 31, 2012	$(13,373)	17,111	363	4,101
Other comprehensive income (loss) before reclassifications	—	(36,909)	519	(36,390)
Amounts reclassified from accumulated other comprehensive income (loss)	136	(891)	(16)	(771)
Net current period other comprehensive income (loss)	136	(37,800)	503	(37,161)
Balance as of June 30, 2013	$(13,237)	(20,689)	866	(33,060)
Balance as of April 1, 2013	$(13,304)	15,751	340	2,787
Other comprehensive income (loss) before reclassifications	—	(35,578)	519	(35,059)
Amounts reclassified from accumulated other comprehensive income (loss)	67	(862)	7	(788)

Net current period other comprehensive income (loss)	67	(36,440)	526	(35,847)
Balance as of June 30, 2013	$(13,237)	(20,689)	866	(33,060)

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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). Thus, during the years 2010 and 2011, Synovus recorded a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income directly to other comprehensive income (loss) by applying the portfolio approach for allocation of the valuation allowance. Synovus has consistently applied the portfolio approach which treats derivative financial instruments, equity securities, and debt securities as a single portfolio. As of June 30, 2014, the ending balance in net unrealized gains (losses) on cash flow hedges and net unrealized gains (losses) on investment securities available for sale includes unrealized losses of $12.1 million and $13.3 million, respectively, related to the residual tax effects remaining in OCI due to the previously established deferred tax asset valuation allowance. Under the portfolio approach, these unrealized losses are realized at the time the entire portfolio is sold or disposed.
The following table illustrates activity within the reclassifications out of accumulated other comprehensive income (loss), for the six and three months ended June 30, 2014 and 2013.
Reclassifications out of Accumulated Other Comprehensive Income (Loss)
For the Six Months Ended June 30, 2014

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)		Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$(224	)	Interest expense
	87		Income tax (expense) benefit
	$(137	)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$1,331		Investment securities gains, net
	(513	)	Income tax (expense) benefit
	$818		Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$144		Salaries and other personnel expense
	(56	)	Income tax (expense) benefit
	$88		Reclassifications, net of income taxes

Reclassifications out of Accumulated Other Comprehensive Income (Loss)
For the Three Months Ended June 30, 2014

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)		Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$(112	)	Interest expense
	44		Income tax (expense) benefit
	$(68	)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$—		Investment securities gains, net
	—		Income tax (expense) benefit
	$—		Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$72		Salaries and other personnel expense

(28)	Income tax (expense) benefit
$44	Reclassifications, net of income taxes

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Reclassifications out of Accumulated Other Comprehensive Income (Loss)
For the Six Months Ended June 30, 2013

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)	Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:		
Amortization of deferred losses	$(224)	Interest expense
	88	Income tax (expense) benefit
	$(136)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:		
Realized gain on sale of securities	$1,448	Investment securities gains, net
	(557)	Income tax (expense) benefit
	$891	Reclassifications, net of income taxes
Post-retirement unfunded health benefit:		
Amortization of actuarial gains	$26	Salaries and other personnel expense
	(10)	Income tax (expense) benefit
	$16	Reclassifications, net of income taxes

Reclassifications out of Accumulated Other Comprehensive Income (Loss)
For the Three Months Ended June 30, 2013

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)	Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:		
Amortization of deferred losses	$(112)	Interest expense
	45	Income tax (expense) benefit
	$(67)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:		
Realized gain on sale of securities	$1,403	Investment securities gains, net
	(541)	Income tax (expense) benefit
	$862	Reclassifications, net of income taxes
Post-retirement unfunded health benefit:		
Amortization of actuarial gains	$—	Salaries and other personnel expense
	(7)	Income tax (expense) benefit
	$(7)	Reclassifications, net of income taxes

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Note 10 - Fair Value Accounting

Synovus carries various assets and liabilities at fair value based on the fair value accounting guidance under ASC 820 and ASC 825. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an “exit price”) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair Value Hierarchy

Synovus determines the fair value of its financial instruments based on the fair value hierarchy established under ASC 820-10, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the financial instrument's fair value measurement in its entirety. There are three levels of inputs that may be used to measure fair value. The three levels of inputs of the valuation hierarchy are defined below:

Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities for the instrument or security to be valued. Level 1 assets include marketable equity securities as well as U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.
Level 2	Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or model-based valuation techniques for which all significant assumptions are derived principally from or corroborated by observable market data. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined by using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. U.S. Government sponsored agency securities, mortgage-backed securities issued by U.S. Government sponsored enterprises and agencies, obligations of states and municipalities, CMOs issued by U.S. Government sponsored enterprises, and mortgage loans held-for-sale are generally included in this category. Certain private equity investments that invest in publicly traded companies are also considered Level 2 assets.
Level 3	Unobservable inputs that are supported by little, if any, market activity for the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow models and similar techniques, and may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability. These methods of valuation may result in a significant portion of the fair value being derived from unobservable assumptions that reflect Synovus' own estimates for assumptions that market participants would use in pricing the asset or liability. This category primarily includes collateral-dependent impaired loans, other real estate, certain equity investments, and certain private equity investments.

See Note 16 "Fair Value Accounting" to the consolidated financial statements of Synovus' 2013 Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis
The following table presents all financial instruments measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013, according to the valuation hierarchy included in ASC 820-10. For equity and debt securities, class was determined based on the nature and risks of the investments.

	June 30, 2014			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	$—	6,305	—	6,305
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	1,900	—	1,900
State and municipal securities	—	744	—	744
All other mortgage-backed securities	—	3,755	—	3,755
Other investments	—	7,614	—	7,614
Total trading securities	$—	20,318	—	20,318
Mortgage loans held for sale	—	75,957	—	75,957
Investment securities available for sale:				
U.S. Treasury securities	17,793	—	—	17,793
U.S. Government agency securities	—	34,292	—	34,292
Securities issued by U.S. Government sponsored enterprises	—	112,809	—	112,809
Mortgage-backed securities issued by U.S. Government agencies	—	174,378	—	174,378
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,338,295	—	2,338,295
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	386,473	—	386,473
State and municipal securities	—	5,429	—	5,429
Equity securities	6,953	—	—	6,953
Other investments(1)	1,897	—	1,866	3,763
Total investment securities available for sale	$26,643	3,051,676	1,866	3,080,185
Private equity investments	—	1,258	27,376	28,634
Mutual funds held in Rabbi Trusts	11,349	—	—	11,349
Derivative assets:				
Interest rate contracts	—	34,476	—	34,476
Mortgage derivatives(2)	—	1,889	—	1,889
Total derivative assets	$—	36,365	—	36,365
Liabilities				
Trading account liabilities	—	7,309	—	7,309
Salary stock units	465	—	—	465
Derivative liabilities:				
Interest rate contracts	—	35,046	—	35,046
Mortgage derivatives(2)	—	1,122	—	1,122
Visa derivative	—	—	2,438	2,438
Total derivative liabilities	$—	36,168	2,438	38,606

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(in thousands)	December 31, 2013 Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	2,465	—	2,465
State and municipal securities	—	429	—	429
All other mortgage-backed securities	—	968	—	968
Other investments	—	2,251	—	2,251
Total trading securities	$—	6,113	—	6,113
Mortgage loans held for sale	—	45,384	—	45,384
Investment securities available for sale:				
U.S. Treasury securities	17,791	—	—	17,791
U.S. Government agency securities	—	34,641	—	34,641
Securities issued by U.S. Government sponsored enterprises	—	113,745	—	113,745
Mortgage-backed securities issued by U.S. Government agencies	—	195,117	—	195,117
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,421,360	—	2,421,360
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	398,540	—	398,540
State and municipal securities	—	6,889	—	6,889
Equity securities	6,956	—	628	7,584
Other investments(1)	1,969	—	1,722	3,691
Total investment securities available for sale	$26,716	3,170,292	2,350	3,199,358
Private equity investments	—	1,615	27,745	29,360
Mutual funds held in Rabbi Trusts	11,246	—	—	11,246
Derivative assets:				
Interest rate contracts	—	38,482	—	38,482
Mortgage derivatives(2)	—	1,522	—	1,522
Total derivative assets	$—	40,004	—	40,004
Liabilities				
Trading account liabilities	—	1,763	—	1,763
Salary stock units	1,764	—	—	1,764
Derivative liabilities:				
Interest rate contracts	—	39,436	—	39,436
Visa derivative	—	—	2,706	2,706
Total derivative liabilities	$—	39,436	2,706	42,142

(1) Based on an analysis of the nature and risks of these investments, Synovus has determined that presenting these investments as a single asset class is appropriate.
(2) Mortgage derivatives consist of customer interest rate lock commitments that relate to the potential origination of mortgage loans, which would be classified as held for sale and forward loan sales commitments with third party investors.

Fair Value Option

Synovus has elected the fair value option for mortgage loans held for sale primarily to ease the operational burdens required to maintain hedge accounting for these loans. Synovus is still able to achieve effective economic hedges on mortgage loans held for sale without the operational time and expense needed to manage a hedge accounting program.

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The following table summarizes the difference between the fair value and the unpaid principal balance of mortgage loans held for sale measured at fair value and the changes in fair value of these loans. Mortgage loans held for sale are initially measured at fair value with subsequent changes in fair value recognized in earnings. Changes in fair value were recorded as a component of mortgage banking income in the consolidated statements of income. An immaterial portion of these changes in fair value was attributable to changes in instrument-specific credit risk.

Changes in Fair Value Included in Net Income

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Mortgage loans held for sale	$1,781	(7,930)	1,057	(5,171)

Mortgage Loans Held for Sale

(in thousands)	As of June 30, 2014	As of December 31, 2013
Fair value	$75,957	45,384
Unpaid principal balance	73,735	44,943
Fair value less aggregate unpaid principal balance	$2,222	441

Changes in Level 3 Fair Value Measurements

As noted above, Synovus uses significant unobservable inputs (Level 3) in determining the fair value of assets and liabilities classified as Level 3 in the fair value hierarchy. The table below includes a roll-forward of the amounts on the consolidated balance sheet for the six and three months ended June 30, 2014 and 2013 (including the change in fair value), for financial instruments of a material nature that are classified by Synovus within Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis. Transfers between fair value levels are recognized at the end of the reporting period in which the associated changes in inputs occur. During the first and second quarters of 2014 and 2013, Synovus did not have any material transfers between levels in the fair value hierarchy.

	Six Months Ended June 30,					
	2014			2013		
(in thousands)	Investment Securities Available for Sale	Private Equity Investments	Other Derivative Contracts, Net	Investment Securities Available for Sale	Private Equity Investments	Other Derivative Contracts, Net
Beginning balance, January 1,	$2,350	27,745	(2,706)	$3,178	30,708	(2,956)
Total gains (losses) realized/unrealized:						
Included in earnings*	(88)	(369)	(752)	—	(1,140)	(801)
Unrealized gains (losses) included in other comprehensive income	144	—	—	276	—	—
Purchases	—		—	—	—	—
Sales	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Settlements	(540)	—	1,020	—	—	780
Amortization of discount/premium	—	—	—	—	—	
Transfers in and/or out of Level 3	—	—	—	—	—	—
Ending balance, June 30,	$1,866	27,376	(2,438)	3,454	29,568	(2,977)
Total net gains (losses) for the six months included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at June 30,	$(88)	(369)	(752)	—	(1,140)	(801)

* Included in earnings as a component of non-interest income (expense).

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(in thousands)	Three Months Ended June 30, 2014 Investment Securities Available for Sale	Private Equity Investments	Other Derivative Contracts, Net	2013 Investment Securities Available for Sale	Private Equity Investments	Other Derivative Contracts, Net
Beginning balance, April 1,	$2,399	27,495	(2,525)	3,312	30,451	(2,610)
Total gains (losses) realized/unrealized:						
Included in earnings*	—	(119)	(356)	—	(883)	(764)
Unrealized gains (losses) included in other comprehensive income	7	—	—	142	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Settlements	(540)	—	443	—	—	397
Amortization of discount/premium	—	—	—	—	—	—
Transfers in and/or out of Level 3	—	—	—	—	—	—
Ending balance, June 30,	$1,866	27,376	(2,438)	3,454	29,568	(2,977)
Total net gains (losses) for the three months included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at June 30,	$—	(119)	(356)	—	(883)	(764)

* Included in earnings as a component of non-interest income (expense).

Assets Measured at Fair Value on a Non-recurring Basis

From time to time, certain assets may be recorded at fair value on a non-recurring basis. These non-recurring fair value adjustments typically are a result of the application of lower of cost or fair value accounting or a write-down occurring during the period. For example, if the fair value of an asset in these categories falls below its cost basis, it is considered to be at fair value at the end of the period of the adjustment. The following table presents assets measured at fair value on a non-recurring basis as of the dates indicated for which there was a fair value adjustment during the period, according to the valuation hierarchy included in ASC 820-10.

	June 30, 2014				December 31, 2013			
(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Impaired loans*	$—	—	11,190	11,190	—	—	170,693	170,693
Other loans held for sale	—	—	2,045	2,045	—	—	9,670	9,670
Other real estate	—	—	18,746	18,746	—	—	50,070	50,070
Other assets held for sale	$—	—	5,394	5,394	—	—	4,945	4,945

The following table presents fair value adjustments recognized for the six and three months ended June 30, 2014 and 2013 for the assets measured at fair value on a non-recurring basis.

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Impaired loans*	$8,144	30,152	$5,542	10,184
Other loans held for sale	1,631	3,546	1,631	3,315
Other real estate	3,229	4,513	654	363
Other assets held for sale	$7,508	170	$7,508	—

* Impaired loans that are collateral-dependent.

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Quantitative Information about Level 3 Fair Value Measurements

The tables below provide an overview of the valuation techniques and significant unobservable inputs used in those techniques to measure financial instruments that are classified within Level 3 of the valuation hierarchy. The range of sensitivities that management utilized in its fair value calculations is deemed acceptable in the industry with respect to the identified financial instruments. The tables below present both the total balance as of the dates indicated for assets measured at fair value on a recurring basis and the assets measured at fair value on a non-recurring basis for which there was a fair value adjustment during the period, according to the valuation hierarchy included in ASC 820-10.

June 30, 2014

(dollars in thousands)	Level 3 Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)[1]
Assets measured at fair value on a recurring basis				
Investment Securities Available for Sale:				
Other Investments:				
Trust preferred securities	1,866	Discounted cash flow analysis	Credit spread embedded in discount rate	400-490 bps (445 bps)
			Discount for lack of marketability[2]	0%-10% (0%)
Private equity investments	27,376	Individual analysis of each investee company	Multiple factors, including but not limited to, current operations, financial condition, cash flows, evaluation of business management and financial plans, and recently executed financing transactions related to the investee companies [2]	N/A
Visa derivative liability	2,438	Internal valuation	Management's estimate of the timing and amount of the Covered Litigation settlement, and the resulting payments due to the counterparty under the terms of the contract.	$400 thousand to $2.4 million ($2.4 million)

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June 30, 2014 (dollars in thousands)	Level 3 Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)[1]
Assets measured at fair value on a non-recurring basis				
Collateral dependent impaired loans	$11,190	Third party appraised value of collateral less estimated selling costs	Discount to appraised value [3] Estimated selling costs	0% - 79% (42%) 0% - 10% (7%)
Other loans held for sale	2,045	Third party appraised value of collateral less estimated selling costs	Discount to appraised value [3] Estimated selling costs	0% - 19% (19%) 0% - 10% (7%)
Other real estate	18,746	Third party appraised value of collateral less estimated selling costs	Discount to appraised value [3] Estimated selling costs	0% - 4% (2%) 0% - 10% (7%)
Other assets held for sale	5,394	Third party appraised value of collateral less estimated selling costs or BOV	Discount to appraised value [3] Estimated selling costs	9%-80% (55%) 0%-10% (10%)

(1) The range represents management's best estimate of the high and low of the value that would be assigned to a particular input. For assets measured at fair value on a non-recurring basis, the weighted average is the measure of central tendencies; it is not the value that management is using for the asset or liability.
(2) Represents management's estimate of discount that market participants would require based on the instrument's lack of liquidity.
(3) Synovus also makes adjustments to the values of the assets listed above for various reasons, including age of the appraisal, information known by management about the property, such as occupancy rates, changes to the physical conditions of the property, and other factors.

December 31, 2013 (dollars in thousands)	Level 3 Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)[1]
Assets measured at fair value on a recurring basis				
Investment Securities Available for Sale:				

Equity securities	$628	Individual analysis of each investment	Multiple data points, including, but not limited to evaluation of past and projected business performance	N/A[4]
Other Investments:				
Trust preferred securities	1,722	Discounted cash flow analysis	Credit spread embedded in discount rate	400-480 bps (441 bps)
			Discount for lack of marketability[2]	0%-10% (0%)
Private equity investments	27,745	Individual analysis of each investee company	Multiple factors, including but not limited to, current operations, financial condition, cash flows, evaluation of business management and financial plans, and recently executed company transactions related to the investee companies [2]	N/A
Visa derivative liability	2,706	Internal valuation	Management's estimate of the timing and amount of the Covered Litigation settlement, and the resulting payments due to the counterparty under the terms of the contract.	$400 thousand to $2.7 million ($2.7 million)

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December 31, 2013 (dollars in thousands)	Level 3 Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)[1]
Assets measured at fair value on a non-recurring basis				
Collateral dependent impaired loans	$170,693	Third party appraised value of collateral less estimated selling costs	Discount to appraised value [3] Estimated selling costs	0%-65% (25%) 0%-10% (7%)
Other loans held for sale	9,670	Third party appraised value of collateral less estimated selling costs	Discount to appraised value [3] Estimated selling costs	0%-12% (4%) 0%-10% (7%)
Other real estate	50,070	Third party appraised value of collateral less estimated selling costs	Discount to appraised value [3] Estimated selling costs	0%-7% (2%) 0%-10% (7%)
Other assets held for sale	4,945	Third party appraised value of collateral less estimated selling costs or BOV	Discount to appraised value [3] Estimated selling costs	5%-36% (20%) 0%-10% (7%)

(1) The range represents management's best estimate of the high and low of the value that would be assigned to a particular input. For assets measured at fair value on a non-recurring basis, the weighted average is the measure of central tendencies; it is not the value that management is using for the asset or liability.
(2) Represents management's estimate of discount that market participants would require based on the instrument's lack of liquidity.
(3) Synovus also makes adjustments to the values of the assets listed above for various reasons, including age of the appraisal, information known by management about the property, such as occupancy rates, changes to the physical conditions of the property, and other factors.
(4) The range has not been disclosed due to the wide range of possible values given the methodology used.

Sensitivity Analysis of Level 3 Unobservable Inputs Measured on a Recurring Basis
Included in the fair value estimates of financial instruments carried at fair value on the consolidated balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by observable market prices, rates, or other inputs. Unobservable inputs are assessed carefully, considering the current economic environment and market conditions. However, by their very nature, unobservable inputs imply a degree of uncertainty in their determination, because they are supported by little, if any, market activity for the related asset or liability.
Investment Securities Available for Sale
For the trust preferred securities in Level 3 assets, raising the credit spread, and raising the discount for lack of liquidity assumptions will result in a lower fair value measurement.

Private Equity Investments

In the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of private equity investments, significant judgment is required to value these investments. The significant unobservable inputs used in the fair value measurement of private equity investments include current operations, financial condition, and cash flows, comparables and private sales, when available; and recently executed financing transactions related to investee companies. Significant increases or decreases in any of these inputs in isolation would result in a significantly lower or higher fair value measurement.

Visa Derivative Liability

The fair value of the Visa derivative contract is determined based on management's estimate of the timing and amount of the Covered Litigation settlement, and the resulting payments due to the counterparty under the terms of the contract. Significant increases (decreases) in any of these inputs in isolation would result in a significantly higher (lower) valuation of the Visa derivative liability.

Fair Value of Financial Instruments

The following table presents the carrying and fair values of financial instruments at June 30, 2014 and December 31, 2013. The fair value represents management’s best estimates based on a range of methodologies and assumptions. For financial instruments that are not recorded at fair value on the balance sheet, such as loans, interest bearing deposits (including brokered

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deposits), and long-term debt, the amounts disclosed in the notes should not be considered an estimate of the amount that would be realized if all such financial instruments were to be settled immediately. See Note 16 "Fair Value Accounting" to the consolidated financial statements of Synovus' 2013 Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis and financial instruments that are not recorded at fair value on the balance sheet.

The carrying and estimated fair values of financial instruments, as well as the level within the fair value hierarchy, as of June 30, 2014 and December 31, 2013 are as follows:

	June 30, 2014				
(in thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$596,425	596,425	596,425	—	—
Interest bearing funds with Federal Reserve Bank	689,284	689,284	689,284	—	—
Interest earning deposits with banks	7,661	7,661	7,661	—	—
Federal funds sold and securities purchased under resale agreements	79,553	79,553	79,553	—	—
Trading account assets	20,318	20,318	—	20,318	—
Mortgage loans held for sale	75,957	75,957	—	75,957	—
Other loans held for sale	2,764	2,764	—	—	2,764
Investment securities available for sale	3,080,185	3,080,185	26,643	3,051,676	1,866
Private equity investments	28,634	28,634	—	1,258	27,376
Mutual funds held in Rabbi Trusts	11,349	11,349	11,349	—	—
Loans, net of deferred fees and costs	20,455,763	20,188,381	—	—	20,188,381
Derivative assets	36,365	36,365	—	36,365	—
Financial liabilities					
Trading account liabilities	7,309	7,309	—	7,309	—
Non-interest bearing deposits	5,875,301	5,875,301	—	5,875,301	—
Interest bearing deposits	15,118,166	15,123,417	—	15,123,417	—
Federal funds purchased and securities sold under repurchase agreements	127,840	127,840	127,840	—	—
Salary stock units	465	465	465	—	—
Long-term debt	2,256,418	2,329,660	—	2,329,660	—
Derivative liabilities	$38,606	38,606	—	36,168	2,438

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(in thousands)	December 31, 2013 Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$469,630	469,630	469,630	—	—
Interest bearing funds with Federal Reserve Bank	644,528	644,528	644,528	—	—
Interest earning deposits with banks	24,325	24,325	24,325	—	—
Federal funds sold and securities purchased under resale agreements	80,975	80,975	80,975	—	—
Trading account assets	6,113	6,113	—	6,113	—
Mortgage loans held for sale	45,384	45,384	—	45,384	—
Other loans held for sale	10,685	10,685	—	—	10,685
Investment securities available for sale	3,199,358	3,199,358	26,716	3,170,292	2,350
Private equity investments	29,360	29,360	—	1,615	27,745
Mutual funds held in Rabbi Trusts	11,246	11,246	11,246	—	—
Loans, net of deferred fees and costs	20,057,798	19,763,708	—	—	19,763,708
Derivative assets	40,004	40,004	—	40,004	—
Financial liabilities					
Trading account liabilities	1,763	1,763	—	1,763	—
Non-interest bearing deposits	5,642,751	5,642,751	—	5,642,751	—
Interest bearing deposits	15,234,039	15,244,020	—	15,244,020	—
Federal funds purchased and securities sold under repurchase agreements	148,132	148,132	148,132	—	—
Salary stock units	1,764	1,764	1,764	—	—
Long-term debt	2,033,141	2,095,720	—	2,095,720	—
Derivative liabilities	$42,142	42,142	—	39,436	2,706

Note 11 - Derivative Instruments

As part of its overall interest rate risk management activities, Synovus utilizes derivative instruments to manage its exposure to various types of interest rate risk. These derivative instruments generally consist of interest rate swaps, interest rate lock commitments made to prospective mortgage loan customers, and commitments to sell fixed-rate mortgage loans. Interest rate lock commitments represent derivative instruments since it is intended that such loans will be sold.

From time to time, Synovus utilizes interest rate swaps to manage interest rate risks primarily arising from its core banking activities. These interest rate swap transactions generally involve the exchange of fixed and floating interest rate payment obligations without the exchange of underlying principal amounts. Swaps may be designated as either cash flow hedges or fair value hedges, as discussed below. As of June 30, 2014 and December 31, 2013, Synovus had no outstanding interest rate swap contracts utilized to manage interest rate risk.

Synovus is party to master netting arrangements with its dealer counterparties; however, Synovus does not offset assets and liabilities under these arrangements for financial statement presentation purposes.

Counterparty Credit Risk and Collateral

Entering into derivative contracts potentially exposes Synovus to the risk of counterparties' failure to fulfill their legal obligations, including, but not limited to, potential amounts due or payable under each derivative contract. Notional principal amounts are often used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. Synovus assesses the credit risk of its dealer counterparties by regularly monitoring publicly available credit rating information and other market indicators. Dealer collateral requirements are determined via risk-based policies and procedures and in accordance with existing agreements. Synovus seeks to minimize dealer credit risk by dealing with highly rated counterparties and by obtaining collateral for exposures above certain predetermined limits. Management closely monitors credit conditions within the customer swap portfolio, which management deems to be of higher risk than dealer counterparties. Collateral is secured at origination and credit related fair value adjustments are recorded against the asset value of the derivative as deemed necessary based upon an analysis, which includes consideration of the current asset value of the swap, customer credit rating, collateral value, and customer standing with regards to its swap contractual obligations and other related matters. Such asset values fluctuate based upon changes in interest rates regardless of changes in notional amounts and changes in customer specific risk.

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Cash Flow Hedges
Synovus designates hedges of floating rate loans as cash flow hedges. These swaps hedge against the variability of cash flows from specified pools of floating rate prime based loans. Synovus calculates effectiveness of the hedging relationship quarterly using regression analysis. The effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Ineffectiveness from cash flow hedges is recognized in the consolidated statements of income as a component of other non-interest income. As of June 30, 2014, there were no cash flow hedges outstanding, and therefore, no cumulative ineffectiveness.
Synovus expects to reclassify from accumulated other comprehensive income (loss) $447 thousand of interest expense during the next twelve months as amortization of deferred losses are recorded.
Synovus did not terminate any cash flow hedges during 2014 or 2013. The remaining unamortized deferred net loss balance of all previously terminated cash flow hedges at June 30, 2014 and December 31, 2013 was $(1.3) million and $(1.6) million, respectively.
Fair Value Hedges
Synovus designates hedges of fixed rate liabilities as fair value hedges. These swaps hedge against the change in fair value of various fixed rate liabilities due to changes in the benchmark interest rate, LIBOR. Synovus calculates effectiveness of the fair value hedges quarterly using regression analysis. Ineffectiveness from fair value hedges is recognized in the consolidated statements of income as a component of other non-interest income. As of June 30, 2014, there were no fair value hedges outstanding, and therefore, no cumulative ineffectiveness.
Synovus did not terminate any fair value hedges during 2014 or 2013. The remaining unamortized deferred net gain balance on all previously terminated fair value hedges at June 30, 2014 and December 31, 2013 was $9.2 million and $10.7 million, respectively. Synovus expects to reclassify from hedge-related basis adjustment, a component of long-term debt, $3.1 million of the deferred gain balance on previously terminated fair value hedges as a reduction to interest expense during the next twelve months as amortization of deferred gains is recorded.
Customer Related Derivative Positions
Synovus enters into interest rate swap agreements to facilitate the risk management strategies of a small number of commercial banking customers. Synovus mitigates this risk by entering into equal and offsetting interest rate swap agreements with highly rated third party financial institutions. The interest rate swap agreements are free-standing derivatives and are recorded at fair value on Synovus' consolidated balance sheet. Fair value changes are recorded in non-interest income in Synovus' consolidated statements of income. As of June 30, 2014, the notional amount of customer related interest rate derivative financial instruments, including both the customer position and the offsetting position, was $1.13 billion, a decrease of $49.2 million compared to December 31, 2013.
Visa Derivative
In conjunction with the sale of Class B shares of common stock issued by Visa to Synovus as a Visa USA member, Synovus entered into a derivative contract with the purchaser, which provides for settlements between the parties based upon a change in the ratio for conversion of Visa Class B shares to Visa Class A shares. The conversion ratio changes when Visa deposits funds to a litigation escrow established by Visa to pay settlements for certain litigation, for which Visa is indemnified by Visa USA members. The litigation escrow is funded by proceeds from Visa’s conversion of Class B shares. The fair value of the derivative contract was $2.4 million and $2.7 million at June 30, 2014 and December 31, 2013, respectively. The fair value of the derivative contract is determined based on management's estimate of the timing and amount of the Covered Litigation settlement, and the resulting payments due to the counterparty under the terms of the contract.
Mortgage Derivatives
Synovus originates first lien residential mortgage loans for sale into the secondary market and generally does not hold the originated loans for investment purposes. Mortgage loans are sold by Synovus for conversion to securities and the servicing of these loans is generally sold to a third-party servicing aggregator, or Synovus sells the mortgage loans as whole loans to investors either individually or in bulk on a servicing released basis.
Synovus enters into interest rate lock commitments for residential mortgage loans which commit us to lend funds to a potential borrower at a specific interest rate and within a specified period of time. Interest rate lock commitments that

relate to the origination of mortgage loans that, if originated, will be held for sale, are considered derivative financial instruments under applicable accounting guidance. Outstanding interest rate lock commitments expose Synovus to the risk that the price of the mortgage loans underlying the commitments may decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan.

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At June 30, 2014 and December 31, 2013, Synovus had commitments to fund at a locked interest rate, primarily fixed-rate mortgage loans to customers, in the amount of $100.7 million and $65.0 million, respectively. The fair value of these commitments resulted in a gain of $1.3 million and a loss of $(2.5) million for the six months ended June 30, 2014 and 2013, respectively, which was recorded as a component of mortgage banking income in the consolidated statements of income.

At June 30, 2014 and December 31, 2013, outstanding commitments to sell primarily fixed-rate mortgage loans amounted to $125.0 million and $92.0 million, respectively. Such commitments are entered into to reduce the exposure to market risk arising from potential changes in interest rates, which could affect the fair value of mortgage loans held for sale and outstanding rate lock commitments, which guarantee a certain interest rate if the loan is ultimately funded or granted by Synovus as a mortgage loan held for sale. The commitments to sell mortgage loans are at fixed prices and are scheduled to settle at specified dates that generally do not exceed 90 days. The fair value of outstanding commitments to sell mortgage loans resulted in a loss of $(2.0) million and a gain of $7.4 million for the six months ended June 30, 2014 and 2013, respectively, which was recorded as a component of mortgage banking income in the consolidated statements of income.

Collateral Contingencies

Certain derivative instruments contain provisions that require Synovus to maintain an investment grade credit rating from each of the major credit rating agencies. When Synovus' credit rating falls below investment grade, these provisions allow the counterparties of the derivative instrument to demand immediate and ongoing full collateralization on derivative instruments in net liability positions and, for certain counterparties, request immediate termination. As Synovus' current rating is below investment grade, Synovus is required to post collateral, as required by each agreement, against these positions. Additionally, as of June 10, 2013, the CCC became mandatory for certain trades as required under the Dodd-Frank Act. These derivative transactions also carry collateral requirements, both at the inception of the trade, and as the value of each derivative position changes. As trades are migrated to the CCC, dealer counterparty exposure will be reduced, and higher notional amounts of Synovus' derivative instruments will be housed at the CCC, a highly regulated and well-capitalized entity. As of June 30, 2014, collateral totaling $73.1 million consisting of Federal funds sold was pledged to the derivative counterparties, including $4.0 million with the CCC, to comply with collateral requirements.

The impact of derivative instruments on the consolidated balance sheets at June 30, 2014 and December 31, 2013 is presented below.

	Fair Value of Derivative Assets			Fair Value of Derivative Liabilities		
(in thousands)	Location on Consolidated Balance Sheet	June 30, 2014	December 31, 2013	Location on Consolidated Balance Sheet	June 30, 2014	December 31, 2013
Derivatives not designated as hedging instruments:						
Interest rate contracts	Other assets	$34,476	38,482	Other liabilities	$35,046	39,436
Mortgage derivatives	Other assets	1,889	1,522	Other liabilities	1,122	—
Visa derivative		—	—	Other liabilities	2,438	2,706
Total derivatives not designated as hedging instruments		$36,365	40,004		$38,606	42,142

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The pre-tax effect of fair value hedges on the consolidated statements of income for the six and three months ended June 30, 2014 and 2013 is presented below.

(in thousands) Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income Six Months Ended June 30, 2014	2013
Interest rate contracts[1]	Other non-interest income	384	(158)
Mortgage derivatives[2]	Mortgage banking income	(755)	4,942
Total		$(371)	4,784

(in thousands) Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income Three Months Ended June 30, 2014	2013
Interest rate contracts[1]	Other non-interest income	281	(279)
Mortgage derivatives[2]	Mortgage banking income	(435)	5,030
Total		$(154)	4,751

[1] Gain (loss) represents net fair value adjustments (including credit related adjustments) for customer swaps and offsetting positions.
[2] Gain (loss) represents net fair value adjustments recorded for interest rate lock commitments and commitments to sell mortgage loans to third party investors.

During the six months ended June 30, 2014 and 2013, Synovus also reclassified $1.5 million and $1.7 million, respectively, from hedge-related basis adjustment, a component of long-term debt, as a reduction to interest expense. These deferred gains relate to hedging relationships that have been previously terminated and are reclassified into earnings over the remaining life of the hedged items.

Note 12- Net Income Per Common Share

The following table displays a reconciliation of the information used in calculating basic and diluted earnings per common share for the six and three months ended June 30, 2014 and 2013.

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands, except per share data)	2014	2013	2014	2013
Basic Net Income Per Common Share:				
Net income available to common shareholders	$90,170	45,515	44,313	30,717
Weighted average common shares outstanding	138,961	117,035	138,991	121,585
Basic net income per common share	$0.65	0.39	0.32	0.25
Diluted Net Income Per Common Share:				
Net income available to common shareholders	$90,170	45,515	44,313	30,717
Weighted average common shares outstanding	138,961	117,035	138,991	121,585
Potentially dilutive shares from assumed exercise of securities or other contracts to purchase Common Stock	574	13,092	576	8,549
Weighted average diluted common shares	139,535	130,127	139,567	130,134
Diluted net income per common share	$0.65	0.35	0.32	0.24

A reverse stock split became effective on May 16, 2014, and Synovus' shares of common stock began trading on a post-split basis on the NYSE at the opening of trading on May 19, 2014. Share and per share amounts included in this

Report for prior periods have been adjusted to reflect the one-for-seven reverse stock split.
Basic net income per common share is computed by dividing net income by the average common shares outstanding for the period. Diluted net income per common share reflects the dilution that could occur if securities or other contracts to issue Common Stock were exercised or converted. The dilutive effect of outstanding options and restricted share units is reflected in diluted net income per common share, unless the impact is anti-dilutive, by application of the treasury stock method.
During 2010, 13,800,000 units of tMEDS were issued through a public offering. On May 15, 2013, each remaining tMED automatically settled, and Synovus issued 17.5 million shares of Common Stock. As a result, these shares are no longer potentially dilutive shares from assumed exercise of these contracts to purchase Common Stock.

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As of June 30, 2014 and 2013, there were 3.5 million and 4.1 million, respectively, potentially dilutive shares related to Common Stock options and Warrants to purchase shares of Common Stock that were outstanding during 2014 and 2013, but were not included in the computation of diluted net income per common share because the effect would have been anti-dilutive.

Note 13 - Share-based Compensation

General Description of Share-based Plans

Synovus has a long-term incentive plan under which the Compensation Committee of the Board of Directors has the authority to grant share-based awards to Synovus employees. At June 30, 2014, Synovus had a total of 7,231,901 shares of its authorized but unissued Common Stock reserved for future grants under the 2013 Omnibus Plan. The 2013 Omnibus Plan authorizes 8,571,429 common share equivalents available for grant, where grants of options count as one share equivalent and grants of full value awards (e.g., restricted share units, market restricted share units) count as 2 share equivalents. Any restricted share units that are forfeited and options that expire unexercised will again become available for issuance under the Plan. The Plan permits grants of share-based compensation including stock options, non-vested shares, and restricted share units. The grants generally include vesting periods ranging from two to five years and contractual terms of 10 years. Stock options are granted at exercise prices which equal the fair value of a share of common stock on the grant-date. Synovus has historically issued new shares to satisfy share option exercises and share unit conversions. Dividend equivalents are paid on outstanding restricted share units in the form of additional restricted share units that vest over the same vesting period or the vesting period left on the original restricted share unit grant.

Share-based Compensation Expense

Share-based compensation costs associated with employee grants are recorded as a component of salaries and other personnel expense in the consolidated statements of income. Share-based compensation costs associated with grants made to non-employee directors of Synovus are recorded as a component of other operating expenses. Share-based compensation expense for service-based awards is recognized net of estimated forfeitures for plan participants on a straight-line basis over the vesting period. Total share-based compensation expense was $4.7 million and $2.5 million for the six and three months ended June 30, 2014, respectively, and $3.4 million and $1.6 million for the six and three months ended June 30, 2013, respectively.

Stock Options

No stock option grants were made during the six months ended June 30, 2014. At June 30, 2014, there were 3,010,614 options to purchase shares of Common Stock outstanding with a weighted average exercise price of $48.60.

Restricted Share Units, Performance Share Units and Market Restricted Share Units

During the six months ended June 30, 2014, Synovus awarded 402,577 restricted share units that have a service-based vesting period of three years and awarded 57,645 performance share units that vest upon service conditions and performance conditions. Synovus also granted 86,465 market restricted share units during the six months ended June 30, 2014. The weighted average grant-date fair value of the awarded restricted share units, performance share units and market restricted share units was $23.75 per share. At June 30, 2014, including dividend equivalents granted, there were 1,077,224 restricted share units, performance share units and market restricted share units outstanding with a weighted average grant-date fair value of $20.55.

During the six months ended June 30, 2014, Synovus also granted 18,938 salary stock units to senior management, which vested and were expensed immediately upon grant. Compensation expense is initially determined based on the number of salary stock units granted and the market price of Common Stock at the grant date. Subsequent to the grant date, compensation expense is recorded for changes in Common Stock market price. The total fair value of salary stock units granted during the six months ended June 30, 2014 was $465 thousand. The salary stock units granted during 2014 are classified as liabilities and will be settled in cash on January 15, 2015.

Note 14 - Income Taxes

The valuation allowance for deferred tax assets was $15.0 million and $14.6 million at June 30, 2014 and December 31, 2013, respectively. The $414 thousand increase in the valuation allowance from December 31, 2013 to June 30, 2014 is related to the addition of certain state income tax credits earned that are available to reduce future tax liability through the tax year 2019 but are expected to expire before they can be utilized. Management assesses the need for a valuation allowance for deferred tax assets at each reporting period. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence. Based on the assessment of all of the positive and negative evidence at June 30, 2014, management has concluded that it is more likely than not that $677.5 million of the net deferred tax asset will be realized based upon future taxable income.

Synovus expects to realize substantially all of the $677.5 million in net deferred tax assets well in advance of the statutory carryforward period. At June 30, 2014, $195.8 million of existing deferred tax assets are not related to net operating losses or credits and, therefore, have no expiration dates. Approximately $390.1 million of the remaining deferred tax assets relate to federal net operating losses which expire in years beginning in 2028 through 2032. Additionally, $56.0 million of the deferred tax assets relate to state NOLs which will expire in installments annually through the tax year 2034. Tax credit carryforwards at June 30, 2014 include federal alternative minimum tax credits totaling $24.6 million, which have an unlimited carryforward period. Other federal and state tax credits at June 30, 2014 total $26.0 million and have expiration dates through the tax year 2034.

The valuation allowance could fluctuate in future periods based on management's assessment of the positive and negative evidence. Management's conclusion at June 30, 2014 that it is more likely than not that the net deferred tax assets of $677.5 million will be realized is based upon management's estimate of future taxable income. Management's estimate of future taxable income is based on internal projections which consider historical performance, various internal estimates and assumptions, as well as certain external data, all of which management believes to be reasonable although inherently subject to significant judgment. If actual results differ significantly from the current estimates of future taxable income, the valuation allowance may need to be increased. Such an increase to the deferred tax asset valuation allowance could have a material adverse effect on Synovus' financial condition or results of operations.

Synovus is subject to income taxation in the United States and various state jurisdictions. Synovus' federal income tax return is filed on a consolidated basis, while state income tax returns are filed on both a consolidated and separate entity basis. Currently, no years for which Synovus filed a Federal income tax return are under examination by the IRS. A state tax examination by the Tennessee Department of Revenue is currently in progress. Synovus is no longer subject to income tax examinations by the IRS for years before 2009, and excluding certain limited exceptions, Synovus is no longer subject to income tax examinations by state and local income tax authorities for years before 2008. Although Synovus is unable to determine the ultimate outcome of current and future examinations, Synovus believes that the liability recorded for uncertain tax positions is adequate.

Note 15 - Legal Proceedings

Synovus carefully examines and considers each legal matter, and, in those situations where Synovus determines that a particular legal matter presents loss contingencies that are both probable and reasonably estimable, Synovus establishes an appropriate accrual. An event is considered to be probable if the future event is likely to occur. While the final outcome of any legal proceeding is inherently uncertain, based on the information currently available, advice of counsel and available insurance coverage, management believes that the amounts accrued with respect to legal matters as of June 30, 2014 are adequate. The actual costs of resolving legal claims may be higher or lower than the amounts accrued.

In addition, where Synovus determines that there is a reasonable possibility of a loss in respect of legal matters, including those legal matters described below, Synovus considers whether it is able to estimate the total reasonably possible loss or range of loss. An event is reasonably possible if the chance of the future event or events occurring is more than remote but less than likely. An event is remote if the chance of the future event occurring is slight. In many situations, Synovus may be unable to estimate reasonably possible losses due to the preliminary nature of the legal matters, as well as a variety of other factors and uncertainties. For those legal matters where Synovus is able to estimate a range of reasonably possible losses, management currently estimates the aggregate range from our outstanding litigation, including, without limitation, the matters described below, is from zero to $25 million in excess of the amounts accrued, if any, related to those matters. This estimated aggregate range is based upon information currently available to Synovus, and the actual losses could prove to be higher. As there are further developments in these legal matters, Synovus will reassess these matters, and the estimated range of reasonably possible losses may change as a result of this assessment. Based on Synovus' current knowledge and advice of counsel, management presently does not believe that the liabilities arising from these legal matters will have a material adverse effect on Synovus' consolidated financial condition, results of operations or cash flows. However, it is possible that the ultimate resolution of these legal matters could have a material adverse effect on Synovus' results of operations for any particular period.

Synovus intends to vigorously pursue all available defenses to these legal matters, but will also consider other alternatives, including settlement, in situations where there is an opportunity to resolve such legal matters on terms that Synovus considers to be favorable, including in light of the continued expense and distraction of defending such legal matters. Synovus also maintains insurance coverage, which may (or may not) be available to cover legal fees, or potential losses that might be incurred in connection with the legal matters described below. The above-noted estimated range of reasonably possible losses does not take into consideration insurance coverage which may or may not be available for the respective legal matters.

Securities Class Action

On July 7, 2009, the City of Pompano Beach General Employees' Retirement System filed suit against Synovus, and certain of Synovus' current and former officers, in the United States District Court, Northern District of Georgia (Civil Action File No. 1:09-CV-1811) (the “Securities Class Action”); and on June 11, 2010, Lead Plaintiffs, the Labourers' Pension Fund of Central and Eastern Canada and the Sheet Metal Workers' National Pension Fund, filed an amended complaint alleging that Synovus and the named individual defendants misrepresented or failed to disclose material facts that artificially inflated Synovus' stock price in violation of the federal securities laws. Lead Plaintiffs' allegations are based on purported exposure to Synovus' lending relationship

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with the Sea Island Company and the impact of such alleged exposure on Synovus' financial condition. Lead Plaintiffs in the Securities Class Action seek damages in an unspecified amount. On May 19, 2011, the Court ruled that the amended complaint failed to satisfy the mandatory pleading requirements of the Private Securities Litigation Reform Act. The Court also ruled that Lead Plaintiffs would be allowed the opportunity to submit a further amended complaint. Lead Plaintiffs served their second amended complaint on June 27, 2011. Defendants filed a Motion to Dismiss that complaint on July 27, 2011. On March 22, 2012, the Court granted in part and denied in part that Motion to Dismiss. On April 19, 2012, the Defendants filed a motion requesting that the Court reconsider its March 22, 2012 order. On September 26, 2012, the Court issued a written order denying the Motion for Reconsideration. Defendants filed their answer to the second amended complaint on May 21, 2012. On March 7, 2013, the Court granted Lead Plaintiffs' motion for class certification. On May 23, 2013, the 11th Circuit Court of Appeals granted Defendants permission to appeal the District Court’s certification of the class. On October 4, 2013, the Lead Plaintiffs and the Defendants reached a settlement-in-principle to settle the Securities Class Action. Under the settlement-in-principle, the Defendants shall cause to be paid $11.8 million to the Lead Plaintiffs (the “Securities Class Action Settlement Payment”) in exchange for broad releases, dismissal with prejudice of the Securities Class Action and other material and customary terms and conditions. On March 17, 2014, the Lead Plaintiffs filed a motion with the District Court for preliminary approval of the Securities Class Action Settlement Payment. The District Court granted preliminary approval of the Securities Class Action Settlement Payment on June 4, 2014, and the hearing date for the final approval is scheduled for October 7, 2014. Synovus expects that, subject to execution of an appropriate release of the Defendants’ insurance carriers and other customary acknowledgments by the Defendants, the Securities Class Action Settlement Payment will be fully covered by insurance. There can be no assurance that the settlement-in-principle will be finally approved by the District Court. In the event the settlement-in-principle of the Securities Class Action is not approved by the District Court and finally settled, Synovus and the individually named defendants collectively intend to vigorously defend themselves against the Securities Class Action.

Overdraft Litigation

Posting Order Litigation

On September 21, 2010, Synovus, Synovus Bank and CB&T were named as defendants in a putative multi-state class action relating to the manner in which Synovus Bank charges overdraft fees to customers. The case, Childs et al. v. Columbus Bank and Trust et al., was filed in the Northern District of Georgia, Atlanta Division, and asserts claims for breach of contract and breach of the covenant of good faith and fair dealing, unconscionability, conversion and unjust enrichment for alleged injuries suffered by plaintiffs as a result of Synovus Bank's assessment of overdraft charges in connection with its POS/debit and automated-teller machine cards allegedly resulting from the sequence used to post payments to the plaintiffs' accounts. On October 25, 2010, the Childs case was transferred to a multi-district proceeding in the Southern District of Florida. In Re: Checking Account Overdraft Litigation, MDL No. 2036. Plaintiffs amended their complaint on October 21, 2011. The Synovus entities filed a motion to dismiss the amended complaint on November 22, 2011. On July 26, 2012, the court denied the motion as to Synovus and Synovus Bank, but granted the motion as to CB&T. Synovus and Synovus Bank filed their answer to the amended complaint on September 24, 2012. The case is currently in discovery. A preliminary hearing regarding class certification is scheduled for August 13, 2014.

Assertion of Overdraft Fees as Interest Litigation

Synovus Bank was also named as a defendant in a putative state-wide class action in which the plaintiffs allege that overdraft fees charged to customers constitute interest and, as such, are usurious under Georgia law. The case, Griner et. al. v. Synovus Bank, et. al. was filed in Gwinnett County State Court (State of Georgia) on July 30, 2010, and asserts claims for usury, conversion and money had and received for alleged injuries suffered by the plaintiffs as a result of Synovus Bank's assessment of overdraft charges in connection with its POS/debit and automated-teller machine cards used to access customer accounts ("the Griner Overdraft Litigation"). Plaintiffs contend that such overdraft charges constitute interest and are therefore subject to Georgia usury laws. Synovus Bank contends that such overdraft charges constitute non-interest fees and charges under both federal and Georgia law and are otherwise exempt from Georgia usury limits. On September 1, 2010, Synovus Bank removed the case to the United States District Court for the Northern District of Georgia, Atlanta Division. The plaintiffs filed a motion to remand the case to state court. On July 22, 2011, the federal court entered an order granting plaintiffs' motion to remand the case to the Gwinnett County State Court. Synovus Bank subsequently filed a motion to dismiss. On February 22, 2012, the state court entered an order denying the motion to dismiss. On March 1, 2012, the state court signed and entered a certificate of immediate review thereby permitting Synovus Bank to petition the Georgia Court of Appeals for a discretionary appeal of the denial of the motion to dismiss. On March 12, 2012, Synovus Bank filed its application for interlocutory appeal with the Georgia Court of Appeals. On April 3, 2012, the Georgia Court of Appeals granted Synovus Bank's application for interlocutory appeal of the state court's order denying Synovus Bank's motion to dismiss. On April 11, 2012, Synovus Bank filed its notice of appeal. Oral arguments were heard in the case on September 19, 2012. On March 28, 2013, the Georgia Court of Appeals entered an order affirming the denial of Synovus Bank's motion to dismiss and remanding the case back to the State Court of Gwinnett County for further proceedings. On April 8, 2013, Synovus Bank filed a motion requesting that the Court of Appeals reconsider its March 28, 2013 order. On April 11, 2013, the Court of Appeals entered an order denying Synovus Bank's motion for reconsideration. On April 19, 2013, Synovus Bank filed a notice of its intent to petition the Supreme Court of Georgia for a writ of certiorari. On May 1, 2013, Synovus Bank filed a

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petition for writ of certiorari with the Supreme Court of Georgia. On October 7, 2013, the Supreme Court of Georgia accepted certiorari and vacated the March 28, 2013 order of the Georgia Court of Appeals instanter with direction that the Court of Appeals remand the case to the trial court for further consideration in light of the effect, if any, of the July 3, 2013 Declaratory Order issued by the Georgia Department of Banking and Finance, which declares that to provide parity with national banks, overdraft fees imposed by state-chartered banks in connection with deposit accounts are not subject to Georgia's usury laws. The trial court held a hearing for consideration of this issue on November 21, 2013, and a decision is pending.

On February 3, 2014, the Gwinnett County State Court (State of Georgia) issued an order preliminarily approving the proposed settlement (the "Griner Settlement") by and among Synovus Financial Corp. and Synovus Bank (collectively referred to herein as "Synovus"), and the plaintiffs in the Griner Overdraft Litigation. Under the terms of the Griner Settlement, Synovus has agreed to (1) establish a fund to pay eligible class member claims and (2) pay an agreed-upon amount of fees to counsel for the plaintiffs in the Griner Overdraft Litigation. In exchange, each purported class member in the Griner Overdraft Litigation will give Synovus a full and final general release of all claims alleged or that could be alleged in the Griner Overdraft Litigation. The final fairness hearing on the Griner Settlement was held on May 20, 2014, and the Griner Settlement was approved by the Court.

ITEM 2. – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this Report, the words "Synovus," "the Company," "we," "us," and "our" refer to Synovus Financial Corp. together with Synovus Bank and Synovus' other wholly-owned subsidiaries, except where the context requires otherwise.

FORWARD-LOOKING STATEMENTS

Certain statements made or incorporated by reference in this Report which are not statements of historical fact including those under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Report, constitute forward-looking statements within the meaning of, and subject to the protections of, Section 27A of the Securities Act, and Section 21E of the Exchange Act. Forward-looking statements include statements with respect to Synovus' beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, many of which are beyond Synovus' control and which may cause Synovus' actual results, performance or achievements or the commercial banking industry or economy generally, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are forward-looking statements. You can identify these forward-looking statements through Synovus' use of words such as "believes," "anticipates," "expects," "may," "will," "assum "predicts," "could," "should," "would," "intends," "targets," "estimates," "projects," "plans," "potential" and other similar wor expressions of the future or otherwise regarding the outlook for Synovus' future business and financial performance and/or the performance of the commercial banking industry and economy in general. Forward-looking statements are based on the current beliefs and expectations of Synovus' management and are subject to significant risks and uncertainties. Actual results may differ materially from those contemplated by such forward-looking statements. A number of factors could cause actual results to differ materially from those contemplated by the forward-looking statements in this document. Many of these factors are beyond Synovus' ability to control or predict. These factors include, but are not limited to:

(1) the risk that competition in the financial services industry may adversely affect our future earnings and growth;

(2) the risk that we may not realize the expected benefits from our efficiency and growth initiatives, which will negatively affect our future profitability;

(3) the risk that we may be required to make substantial expenditures to keep pace with the rapid technological changes in the financial services market;

(4) the risk that our enterprise risk management framework may not identify or address risks adequately, which may result in unexpected losses;

(5) the risk that our allowance for loan losses may prove to be inadequate or may be negatively affected by credit risk exposures;

(6) the risk that any future economic downturn could have a material adverse effect on our capital, financial condition, results of operations and future growth;

(7) the risk that we could realize additional losses if our levels of non-performing assets increase and/or if we determine to sell certain non-performing assets and the proceeds we receive are lower than the carrying value of such assets;

(8) changes in the interest rate environment and competition in our primary market area may result in increased funding costs or reduced earning assets yields, thus reducing margins and net interest income;

(9) the risk that if we pursue acquisitions in the future as part of our growth strategy, we may not be able to complete such acquisitions or successfully integrate bank or nonbank acquisitions into our existing operations;

(10) risks related to a failure in or breach of our operational or security systems of our infrastructure, or those of our third-party vendors and other service providers, including as a result of cyber attacks, which could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs or cause losses;

(11) risks related to our reliance on third parties to provide key components of our business infrastructure, including the costs of services and products provided to us by third parties, and risks related to disruptions in service or financial difficulties of a third-party vendor;

(12) the impact on our financial results, reputation, and business if we are unable to comply with all applicable federal and state regulations, or other supervisory actions or directives and any necessary capital initiatives;

(13) the impact of the Dodd-Frank Act, the capital requirements promulgated by the Basel Committee on Banking Supervision and other recent and proposed changes in governmental policy, laws and regulations, including proposed and recently enacted changes in the regulation of banks and financial institutions, or the interpretation or application thereof, including restrictions, increased capital requirements, limitations and/or penalties arising from banking, securities and insurance laws, enhanced regulations and examinations and restrictions on compensation;

(14) the risks that if economic conditions worsen or regulatory capital rules are modified, or the results of mandated “stress testing” do not satisfy certain criteria, we may be required to undertake additional strategic initiatives to improve our capital position;

(15) changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which we are perceived in such markets, including a downgrade in our credit ratings;

(16) the impact on our borrowing costs, capital costs and our liquidity due to our status as a non-investment grade issuer;

(17) restrictions or limitations on access to funds from historical and alternative sources of liquidity could adversely affect our overall liquidity, which could restrict our ability to make payments on our obligations and our ability to support asset growth and sustain our operations and the operations of Synovus Bank;

(18) the risk that we may be unable to pay dividends on our Common Stock or Series C Preferred Stock or Synovus Bank may be unable to pay dividends to us;

(19) the risk that for our deferred tax assets, we may be required to increase the valuation allowance in future periods, or we may not be able to realize all of the deferred tax assets in the future;

(20) the risk that we could have an “ownership change” under Section 382 of the IRC, which could impair our ability to timely and fully utilize our net operating losses and built-in losses that may exist when such “ownership change” occurs;

(21) risks related to recent and proposed changes in the mortgage banking industry, including the risk that we may be required to repurchase mortgage loans sold to third parties and the impact of the “ability to pay” and “qualified mortgage” rules on our loan origination process and foreclosure proceedings;

(22) the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments related thereto;

(23) risks related to the fluctuation in our stock price;

(24) the effects of any damages to Synovus' reputation resulting from developments related to any of the items identified above; and

(25) other factors and other information contained in this Report, other reports and filings that we make with the SEC under the Exchange Act, including, without limitation, those found in “Part I-Item 1A. Risk Factors” of Synovus' 2013 Form 10-K.

For a discussion of these and other risks that may cause actual results to differ from expectations, refer to “Part I-Item 1A. Risk Factors” and other information contained in Synovus' 2013 Form 10-K and our other periodic filings, including quarterly reports on Form 10-Q and current reports on Form 8-K, that we file from time to time with the SEC. All written or oral forward-looking statements that are made by or are attributable to Synovus are expressly qualified by this cautionary notice. You should not place undue reliance on any forward-looking statements since those statements speak only as of the date on which the statements are made. Synovus undertakes no obligation to update any forward-looking information and statements, whether written or oral, to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of new information or unanticipated events, except as may otherwise be required by law.

INTRODUCTION AND CORPORATE PROFILE

Synovus Financial Corp. is a diversified financial services company and a registered financial holding company headquartered in Columbus, Georgia. Synovus provides integrated financial services including commercial and retail banking, financial management, insurance, and mortgage services to its customers through locally-branded banking divisions of its wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida, and Tennessee.

The following financial review summarizes the significant trends affecting Synovus' results of operations and financial condition for the six and three months ended June 30, 2014 and 2013, respectively. This discussion supplements, and should be read in conjunction with, the unaudited interim consolidated financial statements and notes thereto contained elsewhere in this Report and the consolidated financial statements of Synovus, the notes thereto, and management's discussion and analysis contained in Synovus' 2013 Form 10-K.

Management's Discussion and Analysis of Financial Condition and Results of Operations are divided into key segments:

- Economic Overview
- Discussion of Results of Operations—Reviews Synovus' financial performance, as well as selected balance sheet items, items from the statements of income, and certain key ratios that illustrate Synovus' performance.
- Credit Quality, Capital Resources and Liquidity—Discusses credit quality, market risk, capital resources, and liquidity, as well as performance trends. It also includes a discussion of liquidity policies, how Synovus obtains funding, and related performance.
- Additional Disclosures—Provides comments on additional important matters including other contingencies, critical accounting policies and non-GAAP financial measures used within this Report.

A reading of each section is important to understand fully the nature of our financial performance.

ECONOMIC OVERVIEW

Despite a series of progressively declined revisions to the first quarter of 2014 gross domestic product (GDP), culminating in a final estimate of negative 2.1%, the Federal Reserve continued to proceed with U.S. Treasury and Mortgage-Backed Securities (MBS) purchase reductions at a pace that is expected to bring the Quantitative Easing (QE) process to an end by October 2014. Although second quarter GDP estimates have not been finalized, the initial estimate of 4.0% growth reflects the positive impact of several factors, including employment growth, manufacturing expansion, and increased consumption, due in part to higher consumer sentiment.

The national unemployment rate at quarter-end dropped 60 bps from the first quarter, to 6.1%. Bureau of Labor Statistics and ADP Payroll monthly job creation data were impressive (specifically in June when both measurements exceeded 280,000 new jobs), yet a significant portion of the decline was attributable to a sizable reduction in the national labor force. Within the Synovus footprint, this trend is best reflected in South Carolina, where labor force reductions, coupled with employment gains, have led to a year-over-year unemployment rate improvement of 260 bps (7.9% to 5.3%). Florida is exhibiting gains in both labor force and job growth which, although healthier for the state economy, results in a less impressive year-over-year decline in the unemployment rate (7.5% to 6.3%). Tennessee (8.4% to 6.4%) and Georgia (8.4% to 7.2%) show declines in state unemployment rates that are primarily due to more labor force declines, with the exception of major metro areas such as Atlanta-Sandy Springs-Roswell, GA MSA and Nashville-Davidson-Murfreesboro-Franklin, TN MSA, which both follow Florida's pattern. Alabama lost more jobs than labor force participants, resulting in the footprint's only increased unemployment rate of 6.8%, up from 6.4% one year earlier. The lowest second quarter Synovus footprint unemployment rate is 4.5% in Greenville-Anderson-Mauldin, SC MSA; the highest second quarter Synovus footprint unemployment rate is 8.9% in

Dalton, GA MSA, although this market showed the best improvement in Georgia with a 200 bps reduction year-over-year.

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Manufacturing growth is evidenced by increases in the Institute for Supply Management Purchase Manager’s Index from 54.9 in April to 55.3 in June, as well as the Markit PMI (Purchasing Managers' Index), which increased from 55.4 to 57.3 over the same period. Industrial production grew 6.7% in the second quarter, far better than the growth rate of 1.4% in the first quarter. Record port and rail traffic numbers were a constant throughout the second quarter as suppressed demand from first quarter excised itself from the economy. These statistics are particularly important in the Synovus footprint as manufacturing and logistics expansion in the Southeast is significant, especially near port markets, such as Charleston, Savannah, and Mobile, that will be able to accommodate post-Panamax ship volume. Inland port areas such as Greenville, SC and Atlanta, GA are seeing manufacturing, supplier, and logistics growth based on easy access to the aforementioned ports as well as an economically friendly business environment.

The Conference Board Consumer Confidence Index rose from 82.3 at the beginning of the second quarter to 85.2 at the end of June. Consumer spending, presumably muted by winter storms during the first quarter, has shown evidence of a rebound in the form of consumer credit growth and a rising number of automobile sales. First quarter automobile sales reached an annualized level of 16.4 million units in March, and by June this number had climbed to annualized sales of 17.0 million units. On the commercial front, the National Federation of Independent Businesses Small Business Optimism Index was relatively stagnant, holding at a positive yet cautious rating of 95 at quarter-end.

Despite continued tapering of MBS purchases by the Federal Reserve in the second quarter, Freddie Mac 30-year, fixed mortgage rates moved downward to 4.14% in June from 4.41% in April. The pace of permitting in residential construction (including multi-family) continued to decline as evidenced by reductions in permit volume in many MSAs within the Synovus footprint. Nationally, median single family existing home sale prices generally increased year-over-year during the quarter (5.1% annualized), though the pace has slowed substantially since peak quarters in 2013. The most recently released (for May 2014) Case-Shiller 10 and 20 City Composite Indices for sales of U.S. housing showed annualized gains of 9.4% and 9.3% annualized, respectively, compared to the prior month's (April 2014) annualized gains of 10.8% annualized, for both the 10 and 20 City Composite Indices. The decline in the rate of U.S home price appreciation indicated by the Case-Shiller Indices is reflective of a normalizing housing market driven by true market sales, not distressed or foreclosure sales.

Nationally, commercial real estate continued its recovery as asset values pushed higher, particularly in the multi-family and industrial/warehouse sectors where capitalization rates have reached historic lows, and rents have generally exceeded pre-recession levels. Premium pricing for major metro market properties has pushed investors seeking adequate yields towards secondary markets and major inland transportation hubs. CRE, and more specifically the hospitality segment, has continued to perform very well within the Synovus footprint as well. Smith Travel Research shows that of eighteen markets comprising the bulk of Synovus' hospitality portfolio and expansion areas, all except one has shown positive RevPAR (Revenue Per Available Room) growth. Though Florida is the footprint leader in CRE metric gains and job creation, South Carolina is emerging as a contender, driven by port growth, manufacturing, and logistics. Nashville-Davidson-Murfreesboro-Franklin, TN MSA leads all Synovus footprint major MSAs with low vacancy rates for multi-family (4.0%), retail (7.9%), and office (13.7%).

Second quarter geopolitical concerns were focused on unrest in Iraq, while global economic interest continued to be centered on Europe and the persistent struggle there between creditor and debtor members. While there has been improved productivity and growth in some areas of the European community, there continues to be nagging unemployment and expense concerns in others. China’s economy is slowing in time with decreased worldwide demand. There is some concern that Federal Reserve policy actions could impact developing economies over the course of 2014 and into 2015. Closer to home, Latin and South American economies are significantly impacting domestic economies in Texas and Florida. At this time, Synovus does not have direct exposure to global markets, but it will continue to monitor the impact of international developments on domestic economic activity and will determine the most appropriate strategies to pursue.

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DISCUSSION OF RESULTS OF OPERATIONS

Consolidated Financial Highlights

A summary of Synovus' financial performance for the six and three months ended June 30, 2014 and 2013 is set forth in the table below.

	Six Months Ended June 30,			Three Months Ended June 30,		
(dollars in thousands, except per share data)	2014	2013	Change	2014	2013	Change
Net interest income	$405,566	401,891	0.9%	205,051	202,077	1.5%
Provision for loan losses	21,795	48,773	(55.3)	12,284	13,077	(6.1)
Non-interest income	133,569	129,813	2.9	63,388	65,092	(2.6)
Non-interest expense	366,365	363,472	0.8	182,205	181,186	0.6
Adjusted non-interest expense(1)	336,558	331,582	1.5	169,498	167,777	1.0
Income before income taxes	150,975	119,459	26.4	73,950	72,906	1.4
Adjusted pre-tax, pre-credit costs income(1)	195,457	198,674	(1.6)	98,941	97,989	1.0
Net income	95,289	75,109	26.9	46,872	45,535	2.9
Net income available to common shareholders	90,170	45,515	98.1	44,313	30,717	44.3
Net income per common share, basic	0.65	0.39	66.9	0.32	0.25	26.2
Net income per common share, diluted	0.65	0.35	84.8	0.32	0.24	34.5
Net interest margin	3.40 %	3.41	(1) bps	3.41 %	3.39	2 bps
Net charge-off ratio	0.50	0.90	(40) bps	0.69	0.61	8 bps

(dollars in thousands, except per share data)	June 30, 2014	March 31, 2014	Sequential Quarter Change	June 30, 2013	Year Over Year Change
Loans, net of deferred fees and costs	$20,455,763	20,159,004	296,759	$19,608,283	847,480
Total deposits	20,993,467	20,950,892	42,575	20,710,703	282,764
Core deposits(1)	19,544,047	19,584,952	(40,905)	19,372,640	171,407
Core deposits excluding time deposits(1)	$16,377,551	16,364,879	12,672	15,995,424	382,127
Non-performing assets ratio	1.77 %	2.46	(69) bps	3.21 %	(144) bps
Past due loans over 90 days	0.02	0.03	(1) bp	0.02	—
Tier 1 capital	$2,500,491	2,430,790	69,701	$2,904,985	(404,494)
Tier 1 common equity(1)	2,364,511	2,294,810	69,701	1,932,260	432,251
Total risk-based capital	2,958,274	2,981,130	(22,856)	3,445,161	(486,887)
Tier 1 capital ratio	11.01 %	10.85	16 bps	13.49 %	(248) bps
Tier 1 common equity ratio(1)	10.42	10.24	18 bps	8.97	145 bps
Total risk-based capital ratio	13.03	13.31	(28) bps	15.99	(296) bps
Total shareholders' equity to total assets ratio	11.47	11.34	13 bps	13.43	(196) bps
Tangible common equity to tangible assets ratio(1)	10.91	10.78	13 bps	9.71	120 bps

(1) See reconciliation of "Non-GAAP Financial Measures" in this Report.

Results for the Six and Three Months Ended June 30, 2014

For the six months ended June 30, 2014, net income available to common shareholders was $90.2 million, or $0.65 per diluted common share, compared to net income available to common shareholders of $45.5 million or $0.35 per diluted common share for the six months ended June 30, 2013. For the three months ended June 30, 2014, net income available to common shareholders was $44.3 million, or $0.32 per diluted common share, compared to net income available to common shareholders of $30.7 million, or $0.24 per diluted common share, for the same period a year earlier. Net income (which does not include dividends and accretion of discount on preferred stock) for the six months ended June 30, 2014 was $95.3 million compared to net income of $75.1 million for the six months ended June 30, 2013 and was $46.9 million for the three months ended June 30, 2014 compared to $45.5 million for the same period a year earlier. The first six months of 2014 results include a $5.8 million net gain from the Memphis transaction, a $3.1 million gain on a branch property sale, and $16.3 million in restructuring charges while the first six months of 2013 results included $6.6 million in restructuring charges. The second quarter of 2014 included $7.7 million in restructuring charges compared to $1.8 million in restructuring charges for the same period a year earlier.

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Results for the six months ended June 30, 2014 reflect continued broad-based improvement in credit quality. Credit costs continued to decline and totaled $34.6 million for the six months ended June 30, 2014, compared to $73.3 million for the six months ended June 30, 2013. For the three months ended June 30, 2014, credit costs were $16.9 million compared to $24.0 million for the same period a year ago. Net charge-offs for the three months ended June 30, 2014 totaled $35.4 million or 0.69% of average loans annualized, up $20.2 million from $15.2 million or 0.30% of average loans annualized in the first quarter of 2014 due to the significant reduction in NPLs which had existing reserves. The year-to-date net charge-off ratio is 0.50%, compared to 0.90% for the six months ended June 30, 2013. NPL inflows were $34.3 million for the second quarter of 2014, down from $35.5 million in the first quarter of 2014, and down 48.7% from the second quarter of 2013. Total non-performing assets declined $135.1 million or 27.1% from $498.2 million at March 31, 2014 and declined $272.1 million or 42.8% from June 30, 2013.

Adjusted pre-tax, pre-credit costs income (which excludes provision for loan losses, other credit costs, restructuring charges, securities gains and losses, gain on the Memphis transaction, and certain other items) was $195.5 million for the six months ended June 30, 2014 with $98.9 million reported for the three months ended June 30, 2014 and $96.5 million reported for the three months ended March 31, 2014. The sequential quarter increase of $2.4 million in adjusted pre-tax, pre-credit costs income was driven by annualized loan growth of 5.9%, an increase in the net interest margin of two basis points, and growth in fee income from core business. Compared to the six months ended June 30, 2013, adjusted pre-tax, pre-credit costs income declined $3.2 million largely due to a $5.5 million decrease in mortgage banking income and a $5.0 million increase in adjusted non-interest expense (primarily due to an increase in advertising expense of $5.4 million). See reconciliation of "Non-GAAP Financial Measures" in this Report.

The net interest margin improved two basis points to 3.41% in the second quarter of 2014 compared to 3.39% for both the first quarter of 2014 and the second quarter of 2013. The yield on earning assets was 3.86%, unchanged from the first quarter of 2014, and the effective cost of funds declined two basis points to 0.45%. Compared to the second quarter of 2013, the yield on earning assets declined two basis points from 3.88% and the effective cost of funds declined four basis points from 0.49%.

At June 30, 2014, total loans outstanding were $20.46 billion, a sequential quarter increase of $296.8 million, or 5.9% annualized, driven by growth in C&I and retail loans. On a year-to-date basis, total loans grew $398.0 million or 4.0% annualized.

At June 30, 2014, total deposits were $20.99 billion, a sequential quarter increase of $42.6 million, or 0.8% annualized. Core deposits ended the quarter at $19.54 billion, down $40.9 million compared to the first quarter of 2014. Core deposits, excluding time deposits, increased $12.7 million compared to March 31, 2014. Compared to December 31, 2013, total deposits increased $116.7 million (excluding the impact of the Memphis transaction, total deposits increased $308.0 million or 3.0% annualized). Core deposits excluding the impact from the Memphis transaction were down $47.4 million or 0.5% annualized compared to December 31, 2013. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Total shareholders' equity was $3.05 billion at June 30, 2014, up from to $2.95 billion at December 31, 2013.

Recent Developments

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.

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Changes in Financial Condition

During the six months ended June 30, 2014, total assets increased $425.7 million from $26.20 billion at December 31, 2013 to $26.63 billion. The principal component of this increase was growth of $398.0 million in loans net of deferred fees and costs. Additionally, mortgage loans held for sale increased $30.6 million, interest bearing funds with the Federal Reserve Bank increased $44.8 million, and cash and cash equivalents increased $126.8 million. These increases were partially offset by a $119.2 million decrease in investment securities available for sale and a $67.1 million decrease in net deferred tax assets. The increase in funding sources utilized to support asset growth was driven by a $223.3 million increase in long-term debt with increased utilization of FHLB advances and a $116.7 million increase in total deposits with increases in brokered deposits of $355.4 million.

Loans

The following table compares the composition of the loan portfolio at June 30, 2014, December 31, 2013, and June 30, 2013.

(dollars in thousands)	June 30, 2014	December 31, 2013	June 30, 2014 vs. December 31, 2013 % Change[(1)]	June 30, 2013	June 30, 2014 vs. June 30, 2013 % Change
Investment properties	$4,810,349	4,603,754	9.0 %	$4,446,989	8.2 %
1-4 family properties	1,059,089	1,156,471	(17.0)	1,213,559	(12.7)
Land acquisition	598,555	705,333	(30.5)	754,202	(20.6)
Total commercial real estate	6,467,993	6,465,558	0.1	6,414,750	0.8
Commercial, financial and agricultural	5,574,941	5,490,214	3.1	5,374,141	3.7
Owner-occupied	3,786,279	3,795,439	(0.5)	3,784,937	—
Small business	886,570	687,216	58.5	568,881	55.8
Total commercial and industrial	10,247,790	9,972,869	5.6	9,727,959	5.3
Home equity lines	1,664,520	1,587,541	9.8	1,507,738	10.4
Consumer mortgages	1,561,111	1,519,068	5.6	1,451,212	7.6
Credit cards	255,369	256,846	(1.2)	251,788	1.4
Other retail	287,935	284,778	2.2	278,603	3.3
Total retail	3,768,935	3,648,233	6.7	3,489,341	8.0
Total loans	20,484,718	20,086,660	4.0	19,632,050	4.3
Deferred fees and costs, net	(28,955)	(28,862)	0.6	(23,767)	21.8
Total loans, net of deferred fees and costs	$20,455,763	20,057,798	4.0 %	$19,608,283	4.3 %

(1) Percentage changes are annualized

At June 30, 2014, total loans were $20.46 billion, an increase of $847.5 million or 4.3% compared to June 30, 2013. Sequential quarter loan growth of $296.8 million or 5.9% annualized was driven by strong growth in C&I and retail loans across the Synovus footprint. Synovus currently expects loan growth to be in the 4%-6% range for the full year.

Commercial Loans

Total commercial loans (which are comprised of C&I and CRE loans) at June 30, 2014 were $16.72 billion or 81.6% of the total loan portfolio compared to $16.44 billion, or 81.9%, at December 31, 2013 and $16.14 billion, or 82.3%, at June 30, 2013.

At June 30, 2014 and December 31, 2013, Synovus had 27 and 25 commercial loan relationships with total commitments of $50 million or more (including amounts funded), respectively. The average funded balance of these relationships at June 30, 2014 and December 31, 2013 was approximately $38 million and $65 million, respectively.

Commercial and Industrial Loans

The C&I portfolio represents the largest category of Synovus' total loan portfolio and is currently concentrated on small to middle market commercial and industrial lending disbursed throughout a diverse group of industries in the

Southeast, including health care and social assistance, finance and insurance, manufacturing, construction, real estate leasing, wholesale trade, and retail trade as shown in the following table. The portfolio is relationship focused and, as a result, Synovus' lenders have in-depth knowledge of the borrowers, most of which have guaranty arrangements. C&I loans are primarily originated through Synovus' local market banking divisions and made to commercial customers primarily to finance capital expenditures, including real property, plant and equipment, or as a source of working capital. In accordance with Synovus' uniform lending policy, each loan undergoes a detailed underwriting process which incorporates uniform underwriting standards and oversight in proportion to the size and

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complexity of the lending relationship. Approximately 91% of Synovus' C&I loans are secured by real estate, business equipment, inventory, and other types of collateral.

Total C&I loans at June 30, 2014 were $10.25 billion, or 50.0% of the total loan portfolio compared to $9.97 billion, or 49.7% of the total loan portfolio at December 31, 2013 and $9.73 billion, or 49.6% of the total loan portfolio at June 30, 2013. C&I loans grew $274.9 million or 5.6% annualized from December 31, 2013, driven by increases in small business and commercial, financial, and agricultural loans. The increase in small business loans was primarily driven by renewals of existing loans which were previously classified as commercial, financial and agricultural and are now reported as small business loans.

Commercial and Industrial Loans by Industry	June 30, 2014			December 31, 2013		
(dollars in thousands)	Amount	%(1)		Amount	%(1)	
Health care and social assistance	$1,662,877	16.2	%	1,609,565	16.1	%
Manufacturing	958,705	9.3	%	912,140	9.2	%
Real estate other	860,381	8.4	%	831,482	8.3	%
Retail trade	790,270	7.7	%	758,325	7.6	%
Wholesale trade	620,606	6.0	%	612,045	6.1	%
Finance and insurance	569,776	5.6	%	580,796	5.8	%
Professional, scientific, and technical services	538,129	5.2	%	507,674	5.1	%
Construction	476,655	4.6	%	494,600	5.0	%
Accommodation and food services	446,660	4.4	%	429,811	4.3	%
Real estate leasing	631,669	6.2	%	591,070	5.9	%
Agriculture, forestry, fishing, and hunting	354,171	3.5	%	307,190	3.1	%
Educational services	242,912	2.4	%	233,627	2.3	%
Transportation and warehousing	211,877	2.1	%	215,027	2.2	%
Mining	201,874	2.0	%	203,815	2.1	%
Arts, entertainment, and recreation	163,831	1.6	%	168,413	1.7	%
Other services	879,356	8.6	%	917,069	9.2	%
Other industries	638,041	6.2	%	600,220	6.0	%
Total commercial and industrial loans	$10,247,790	100.0	%	$9,972,869	100.0	%

(1) Loan balance in each category expressed as a percentage of total commercial and industrial loans.

Synovus has actively invested in additional expertise, product offerings, and product quality to provide its C&I clients with increased and enhanced product offerings and customer service. Complementing this investment in C&I, management continues to focus on streamlining and enhancing Synovus' existing product lines, especially for traditional retail, small business, and professional services customers.

The Corporate Banking Group provides lending solutions to larger corporate clients and includes specialty units such as syndications, senior housing, and equipment finance. These units partner with Synovus' local bankers to build relationships across the five-state footprint, as well as the Southeastern and Southwestern United States. To date, loan syndications consist primarily of loans where Synovus is participating in the credit (versus being the lead bank). Senior housing loans are typically extended to borrowers in the assisted living or skilled nursing facilities sectors. The Corporate Banking Group also originates loans and participates in loans to well-capitalized public companies and larger private companies that operate in the five-state footprint as well as other states in the Southeast. The Equipment Financing Group was formed in late 2013 and is expected to drive loan growth with small, middle, and large commercial banking customers in future periods. The formation of this group further strengthens the equipment financing line of business and signals Synovus' continued commitment to offer a broad range of expertise, products, and services to commercial customers.

At June 30, 2014, $3.79 billion of total C&I loans, or 18.5% of the total loan portfolio, represented loans originated for the purpose of financing owner-occupied properties. The primary source of repayment on these loans is revenue generated from products or services offered by the business or organization. The secondary source of repayment on these loans is the real estate. These loans are predominately secured by owner-occupied properties and other real estate. Other types of collateral securing these loans consist primarily of marketable equipment, marketable inventory, accounts receivable, equity and debt securities, and time deposits.

At June 30, 2014, $5.57 billion of total C&I loans, or 27.2% of the total loan portfolio, represented loans originated for the purpose of financing commercial, financial, and agricultural business activities. The primary source of repayment on these loans is revenue generated from products or services offered by the business or organization. The secondary source of repayment is the collateral, which consists primarily of equipment, inventory, accounts receivable, time deposits, and other business assets.

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At June 30, 2014, $886.6 million of total C&I loans, or 4.3% of the total loan portfolio, represented loans originated for the purpose of financing small business activities. Small business loans are scored using a small business credit scoring model and are generally classified as small business when the loan is less than or equal to $500,000 and for a business purpose. The primary source of repayment on these loans is revenue generated from products or services offered by the business.

Commercial Real Estate Loans

CRE loans consist of investment properties loans, 1-4 family properties loans, and land acquisition loans. CRE loans are primarily originated through Synovus' local market banking divisions. These loans are subject to the same uniform lending policies referenced above. Total CRE loans, which represent 31.6% of the total loan portfolio at June 30, 2014, were $6.47 billion compared to $6.47 billion or 32.2% of the total loan portfolio at December 31, 2013 and $6.41 billion or 32.7% of the total loan portfolio at June 30, 2013. CRE loans grew $2.4 million or 0.1% annualized from December 31, 2013 and $53.2 million or 0.8% from June 30, 2013 primarily as a result of growth in investment properties loans being partially offset by planned reductions in land acquisition and 1-4 family properties loans.

Investment Properties Loans

Total investment properties loans as of June 30, 2014 were $4.81 billion, or 74.4% of the total CRE portfolio and 23.5% of the total loan portfolio, compared to $4.60 billion or 71.2% of the total CRE portfolio, and 22.9% of the total loan portfolio at December 31, 2013, an increase of $206.6 million or 9.0% annualized primarily due to initiatives to grow this portion of the loan portfolio. Investment properties loans consist of construction and mortgage loans for income producing properties and are primarily made to finance multi-family properties, hotels, office buildings, shopping centers, warehouses, and other commercial development properties. Synovus' investment properties portfolio is well diversified with no concentration by property type, geography (other than the fact that most of these loans are in Synovus' primary market areas of Georgia, Alabama, Tennessee, South Carolina, and Florida), or tenants. These loans have been underwritten with stressed interest rates and vacancies and are generally recourse in nature with short-term maturities (three years or less) allowing for restructuring opportunities that reduce Synovus' overall risk exposure. The investment properties loans are primarily secured by the property being financed by the loans; however, these loans may also be secured by real estate or other assets beyond the property being financed.

1-4 Family Properties Loans

At June 30, 2014, 1-4 family properties loans totaled $1.06 billion, or 16.4% of the total CRE portfolio and 5.2% of the total loan portfolio, compared to $1.16 billion, or 17.9% of the total CRE portfolio and 5.8% of the total loan portfolio at December 31, 2013. 1-4 family properties loans include construction loans to homebuilders, commercial mortgage loans to real estate investors, and residential development loans to developers and are almost always secured by the underlying property being financed by such loans. These properties are primarily located in the markets served by Synovus. Underwriting standards for these types of loans include stricter approval requirements as well as more stringent underwriting standards than current regulatory guidelines. Construction and residential development loans are generally interest-only loans and typically have maturities of three years or less, and 1-4 family rental properties generally have maturities of three to five years, with amortization periods of up to fifteen to twenty years. Although housing and real estate markets in the five Southeastern states within Synovus' footprint have stabilized, Synovus has continued to reduce its exposure to these types of loans.

Land Acquisition Loans

Total land acquisition loans were $598.6 million at June 30, 2014, or 2.9% of the total loan portfolio, a decline of $106.8 million or 30.5% annualized from December 31, 2013. Land acquisition loans are secured by land held for future development, typically in excess of one year. These loans have short-term maturities and are typically unamortized. Land securing these loans is substantially within the Synovus footprint, and loan terms generally include personal guarantees from the principals. Loans in this portfolio are underwritten based on the loan to value of the collateral and the capacity of the guarantor(s). Generally, the maximum loan-to-value at the time of origination or refinancing is aligned with regulatory requirements. Synovus has continued to reduce its exposure to these types of loans.

Retail Loans

Retail loans at June 30, 2014 totaled $3.77 billion, representing 18.4% of the total loan portfolio compared to $3.65 billion, or 18.1% of the total loan portfolio at December 31, 2013 and $3.49 billion or 17.7% of the total loan portfolio at June 30, 2013. Retail loans increased by $120.7 million or 6.7% annualized from December 31, 2013 primarily due to targeted efforts around certain products including HELOCs and portfolio mortgages.

The retail loan portfolio consists of a wide variety of loan products offered through Synovus' banking network, including first and second residential mortgages, HELOCs, credit card, automobile, and other retail loans. The majority of Synovus' retail loans are consumer mortgages and home equity lines secured by first and second liens on residential real estate primarily located in the markets served by Synovus in Georgia, Florida, South Carolina, Alabama, and Tennessee. Substantially all retail loans are to in-market borrowers with no indirect lending products, which increases opportunities for cross-selling. Credit card loans totaled

$255.4 million at June 30, 2014, including $58.6 million of commercial credit card loans. The commercial credit card loans relate to Synovus' commercial and small business customers who utilize corporate credit cards for various business activities.

Retail loans are subject to uniform lending policies and consist primarily of loans with strong borrower credit scores (most recently measured as of June 30, 2014). At June 30, 2014 and December 31, 2013, weighted-average FICO scores within the residential real estate portfolio were 771 and 768 (HELOC), respectively, and 732 and 720 (consumer mortgages), respectively. Conservative debt-to-income ratios (average HELOC debt to income ratio of loans originated) were maintained in the second quarter of 2014 at 30.0%, as compared to 28.6% in the first quarter of 2014. HELOC utilization rates (total amount outstanding as a percentage of total available lines) of 61.6% and 61.3% at June 30, 2014 and December 31, 2013, respectively, and loan-to-value ratios based upon prudent guidelines were maintained to ensure consistency with Synovus' overall risk philosophy. At June 30, 2014, 34% of our home equity lines balances were secured by a first lien while 66% were secured by a second lien. Apart from credit card loans and unsecured loans, Synovus does not originate loans with LTV ratios greater than 100% at origination except for infrequent situations provided that certain underwriting requirements are met. Additionally, at origination, loan maturities are determined based on the borrower's ability to repay (cash flow or earning power of the borrower that represents the primary source of repayment) and the collateralization of the loan, including the economic life of the asset being pledged. Collateral securing these loans provides a secondary source of repayment in that the collateral may be liquidated. Synovus determines the need for collateral on a case-by-case basis. Factors considered include the purpose of the loan, current and prospective credit-worthiness of the customer, terms of the loan, and economic conditions.

Risk levels 1-6 (descending) are assigned based upon a risk score matrix. At least annually, the retail loan portfolio data is sent to a consumer credit reporting agency for a refresh of customers' credit scores. The most recent credit score refresh was completed as of June 30, 2014. Management reviews the refreshed scores to monitor the credit risk migration of the retail loan portfolio, which impacts the allowance for loan losses. Management also considers the results from the refreshed scores for possible changes in underwriting policies. Revolving lines of credit are regularly reviewed for any material change in financial circumstances, and when appropriate, the line of credit may be suspended.

Higher-risk consumer loans as defined by the FDIC are consumer loans (excluding consumer loans defined as nontraditional mortgage loans) where, as of the origination date or, if the loan has been refinanced, as of the refinance date, the probability of default within two years is greater than 20%, as determined using a defined historical stress period. These loans are not a part of Synovus' retail lending strategy, and Synovus does not currently develop or offer specific higher-risk consumer loans, alt-A, no documentation or stated income retail residential real estate loan products. Synovus estimates that, as of June 30, 2014, it had $144.8 million of higher-risk consumer loans (3.8% of the retail portfolio and 0.7% of the total loan portfolio). Included in this amount is approximately $20 million of accruing TDRs. Synovus makes retail lending decisions based upon a number of key credit risk determinants including credit scores, bankruptcy predictor scores, loan-to-value ratios, and debt-to-income ratios. Prior to 2009, Synovus Mortgage originated Fannie Mae alt-A loans which were generally sold into the secondary market. Synovus Mortgage no longer originates such loans, and as of June 30, 2014, the balance of such loans remaining on the balance sheet was less than $1 million.

Other Real Estate

The carrying value of ORE was $101.5 million, $112.6 million, and $139.7 million at June 30, 2014, December 31, 2013, and June 30, 2013, respectively. As of June 30, 2014, the ORE carrying value reflects cumulative write-downs totaling approximately $79 million, or 44% of the related loans' unpaid principal balance. During the six months ended June 30, 2014 and 2013, $25.3 million and $53.2 million, respectively, of loans and other loans held for sale were foreclosed and transferred to other real estate at fair value. During the six months ended June 30, 2014 and 2013, Synovus recognized foreclosed real estate expense, net, of $9.7 million and $18.4 million, respectively. These expenses included write-downs for declines in fair value of ORE subsequent to the date of foreclosure and net realized losses resulting from sales transactions totaling $8.2 million and $14.3 million for the six months ended June 30, 2014 and 2013, respectively.

At foreclosure, ORE is reported at the lower of cost or fair value less estimated selling costs, which establishes a new cost basis. Subsequent to foreclosure, ORE is evaluated quarterly and reported at fair value less estimated selling costs, not to exceed the new cost basis, determined on the basis of current appraisals, comparable sales and other estimates of fair value obtained principally from independent sources, adjusted for estimated selling costs. Management also considers other factors or recent developments such as changes in absorption rates or market conditions from the time of valuation and anticipated sales values considering management's plans for disposition, which could result in an adjustment to lower the collateral value estimates indicated in the appraisals. At the time of foreclosure or initial possession of collateral, any excess of the loan balance over the fair value of the real estate held as collateral, less costs to sell, is recorded as a charge against the allowance for loan losses.

Synovus' objective is to dispose of ORE properties in a timely manner and to maximize net sale proceeds. Synovus has a centralized managed assets division, with the specialized skill set to facilitate this objective. While there is not a defined timeline for their sale, ORE properties are actively marketed through unaffiliated third parties, including real estate brokers and real estate

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auctioneers. Sales are made on an opportunistic basis, as acceptable buyers and terms are identified. In addition, Synovus may also decide to sell ORE properties in bulk asset sales to unaffiliated third parties, in which case the typical period of marketing the property will likely not occur. In some cases, Synovus is approached by potential buyers of ORE properties or Synovus may contact independent third parties who we believe might have an interest in an ORE property.

Deposits

Deposits provide the most significant funding source for interest earning assets. The following table shows the relative composition of deposits.

Composition of Deposits

(dollars in thousands)	June 30, 2014	%[1]		December 31, 2013	%[1]		June 30, 2013	%[1]	
Non-interest bearing demand deposits	$5,875,301	28.0	%	$5,642,751	27.0	%	$5,203,437	25.1	%
Interest bearing demand deposits	3,819,655	18.2		3,969,634	19.0		4,069,102	19.7	
Money market accounts, excluding brokered deposits	6,035,608	28.7		6,069,548	29.1		6,114,998	29.5	
Savings deposits	646,987	3.1		602,655	2.9		607,887	2.9	
Time deposits, excluding brokered deposits	3,166,496	15.1		3,498,200	16.8		3,377,216	16.3	
Brokered deposits	1,449,420	6.9		1,094,002	5.2		1,338,063	6.5	
Total deposits	$20,993,467	100.0		$20,876,790	100.0		$20,710,703	100.0	
Core deposits[2]	$19,544,047	93.1		$19,782,788	94.8		$19,372,640	93.5	
Core deposits excluding time deposits[2]	$16,377,551	78.0	%	$16,284,588	78.0	%	$15,995,424	77.2	%

[1] Deposits balance in each category expressed as percentage of total deposits.
[2] See reconciliation of “Non-GAAP Financial Measures” in this Report.

Total deposits at June 30, 2014 increased $116.7 million, or 1.1% annualized, from December 31, 2013; excluding the impact of the Memphis transaction, total deposits increased $308.0 million or 3.0% annualized compared to December 31, 2013. Core deposits excluding the impact from the Memphis transaction were down $47.4 million or 0.5% annualized compared to December 31, 2013 and up $362.7 million or 1.9% compared to June 30, 2013. Non-interest bearing demand deposits as a percentage of total deposits was 28.0% at June 30, 2014, compared to 27.0% at December 31, 2013 and 25.1% at June 30, 2013. See reconciliation of “Non-GAAP Financial Measures” in this Report.

Time deposits of $100,000 and greater at June 30, 2014, December 31, 2013 and June 30, 2013 were $3.10 billion, $2.91 billion, and $3.00 billion respectively, and included brokered time deposits of $1.27 billion, $880.8 million, and $1.14 billion, respectively. These larger deposits represented 14.7%, 13.9%, and 14.5% of total deposits at June 30, 2014, December 31, 2013, and June 30, 2013, respectively, and included brokered time deposits which represented 6.1%, 4.2%, and 5.5% of total deposits at June 30, 2014, December 31, 2013, and June 30, 2013, respectively.

At June 30, 2014, total brokered deposits represented 6.9% of Synovus' total deposits compared to 5.2% and 6.5% of total deposits at December 31, 2013, and June 30, 2013, respectively.

Net Interest Income

The following table summarizes the components of net interest income for the six and three months ended June 30, 2014, including the tax-equivalent adjustment that is required in making yields on tax-exempt loans and investment securities comparable to taxable loans and investment securities. The taxable-equivalent adjustment is based on a 35% Federal income tax rate.

Net Interest Income	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Interest income	$460,595	461,903	232,213	231,513
Taxable-equivalent adjustment	898	1,175	443	557

Interest income, taxable equivalent	461,493	463,078	232,656	232,070
Interest expense	55,029	60,012	27,162	29,436
Net interest income, taxable equivalent	$406,464	403,066	205,494	202,634

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Non-interest Income

Non-interest income for the six and three months ended June 30, 2014 was $133.6 million and $63.4 million, respectively, up $3.8 million, or 2.9%, compared to the six months ended June 30, 2013, and down $1.7 million, or 2.6%, compared to the three months ended June 30, 2013. Adjusted non-interest income, which excludes net investment securities gains and the current year net gain of $5.8 million from the Memphis transaction, declined $1.9 million, or 1.5%, for the six months ended June 30, 2014, compared to the same period a year ago, and declined $301 thousand, or 0.5%, for the three months ended June 30, 2014, compared to the same period in 2013. See reconciliation of "Non-GAAP Financial Measures" in this Report.

The following table shows the principal components of non-interest income.

Non-interest Income

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Service charges on deposit accounts	$38,451	38,716	$19,238	19,195
Fiduciary and asset management fees	22,329	22,083	11,296	11,111
Brokerage revenue	12,920	14,595	6,707	7,002
Mortgage banking income	8,794	14,255	5,283	7,338
Bankcard fees	16,212	14,902	8,695	7,838
Investment securities gains, net	1,331	1,448	—	1,403
Other fee income	9,791	11,262	4,928	5,775
Decrease in fair value of private equity investments, net	(369)	(1,140)	(119)	(883)
Gain on sale of Memphis branches, net	5,789	—	—	—
Other non-interest income	18,321	13,692	7,360	6,313
Total non-interest income	$133,569	129,813	$63,388	65,092

Principal Components of Non-interest Income

Service charges on deposit accounts for the six and three months ended June 30, 2014 were $38.5 million and $19.2 million, down $264 thousand or 0.7%, and up $43 thousand or 0.2%, respectively, compared to the six and three months ended June 30, 2013. Service charges on deposit accounts consist of NSF fees, account analysis fees, and all other service charges. NSF fees of $16.7 million for the six months ended June 30, 2014 were unchanged compared to NSF fees of $16.7 million for the six months ended June 30, 2013. NSF fees were $8.3 million for the three months ended June 30, 2014, up $175 thousand, or 2.2%, compared to the same period in 2013. Account analysis fees were $12.0 million and $6.0 million for the six and three months ended June 30, 2014, respectively, up $847 thousand, or 7.6%, and $370 thousand, or 6.6%, compared to the six and three months ended June 30, 2013 primarily due to pricing structure changes. All other service charges on deposit accounts, which consist primarily of monthly fees on retail demand deposit and saving accounts, were $9.8 million and $4.9 million for the six and three months ended June 30, 2014, respectively, down $1.1 million, or 10.3%, and down $502 thousand, or 9.2%, respectively, compared to the same periods in 2013, with more retail customers meeting requirements to avoid charges.

Fiduciary and asset management fees are derived from providing estate administration, employee benefit plan administration, personal trust, corporate trust, corporate bond, investment management and financial planning services. Fiduciary and asset management fees were $22.3 million and $11.3 million for the six and three months ended June 30, 2014, respectively, an increase of $246 thousand, or 1.1%, and $185 thousand, or 1.7%, respectively, compared to the same periods in 2013.

Brokerage revenue, which consists primarily of brokerage commissions, was $12.9 million and $6.7 million for the six and three months ended June 30, 2014, respectively. Compared to the six and three months ended June 30, 2013, brokerage revenue was down $1.7 million, or 11.5%, and $295 thousand, or 4.2%, respectively. The year-over-year decline in brokerage revenue is largely due to market uncertainty and the unfavorable impact of severe winter weather on transactions during the first quarter of 2014.

Mortgage banking income declined $5.5 million, or 38.3%, and $2.1 million or 28.0% for the six and three months ended June 30, 2014, respectively, when compared to the same periods in 2013. The decline was primarily due to a decrease in mortgage production with a significant decline in refinancing volume that began in the third quarter of 2013. Mortgage banking income during the remainder of 2014 is expected to be relatively stable to increasing from second quarter 2014 levels driven by continued benefits from strategic talent additions and growth in purchase originations.

Bankcard fees increased $1.3 million, or 8.8%, and $857 thousand, or 10.9%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013, due primarily to an increase in transaction volume and a reduction in processing expense. Bankcard fees consist primarily of credit card interchange fees and debit card interchange fees. Debit card interchange fees were $6.7 million, up $376 thousand, or 5.9%, and $3.5 million, up $169 thousand, or 5.1%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013. Credit card interchange fees were $11.0 million, up $823 thousand, or 8.1%, and $5.8 million, up $552 thousand, or 10.6%, for the three months ended June 30, 2014, respectively, compared to the same periods in 2013.

The gain on sale of Memphis branches consists of a gain, net of associated costs, from the sale of certain loans, premises, deposits, and other assets and liabilities of the Memphis, Tennessee operations of Trust One Bank, a division of Synovus Bank on January 17, 2014. Please see "Note 3 - Sale of Branches" of this Report for further explanation of this transaction.

Other fee income includes fees for letters of credit, safe deposit box fees, access fees for automated teller machine use, customer swap dealer fees, and other service charges. Other fee income declined $1.5 million, or 13.1%, and $847 thousand, or 14.7%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013. The decline in other fee income is primarily due to a decline in customer swap dealer fees.

The main components of other non-interest income are income from company-owned life insurance policies, insurance commissions, card sponsorship fees, and other miscellaneous items. Other non-interest income increased $4.6 million, or 33.8%, and $1.0 million, or 16.6%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013. Other non-interest income for the current year included a $3.1 million gain from the sale of a branch property during the first quarter of 2014.

Non-interest Expense

Non-interest expense for the six and three months ended June 30, 2014 increased by $2.9 million, or 0.8%, and $1.0 million, or 0.6%, respectively, compared to the same periods in 2013. Adjusted non-interest expense for the six and three months ended June 30, 2014, which excludes restructuring charges, credit costs, and Visa indemnification charges, increased $5.0 million, or 1.5%, and $1.7 million, or 1.0%, respectively, compared to the same periods in 2013 due largely to planned increases in advertising expense. See "Non-GAAP Financial Measures" in this Report for applicable reconciliation. New expense savings initiatives of approximately $30 million are underway to be fully implemented during 2014. These expense savings initiatives are expected to be offset, however, by investments in talent, technology, and marketing.

The following table summarizes the components of non-interest expense for the six and three months ended June 30, 2014 and 2013.

Non-interest Expense

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Salaries and other personnel expense	$185,985	183,396	$92,540	89,479
Net occupancy and equipment expense	52,480	50,550	26,425	26,383
Third-party services	19,561	20,295	9,464	10,366
FDIC insurance and other regulatory fees	17,768	16,420	8,049	7,941
Professional fees	15,901	17,511	8,224	10,416
Advertising expense	8,757	3,399	6,281	1,821
Foreclosed real estate expense, net	9,745	18,441	4,063	7,502
Losses on other loans held for sale, net	2,226	79	(40)	(86)
Visa indemnification charges	752	801	356	764
Restructuring charges	16,293	6,607	7,716	1,758
Other operating expenses	36,897	45,973	19,127	24,842
Total non-interest expense	$366,365	363,472	$182,205	181,186

Total employees were 4,640 at June 30, 2014, down 113, or 2.4%, from 4,753 employees at June 30, 2013. Salaries and other personnel expenses increased $2.6 million, or 1.4%, and increased $3.1 million, or 3.4%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013 primarily due to increases in employee incentive expense, but partially offset by the decrease in headcount.

Net occupancy and equipment expense increased $1.9 million, or 3.8%, and increased $42 thousand, or 0.2%, during the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013 reflecting Synovus' recent investments in technology.

Third-party services expense includes all third-party core operating system and processing charges. Third-party services expense declined $734 thousand, or 3.6%, and declined $901 thousand, or 8.7%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013, reflecting savings realized from ongoing efficiency initiatives.

FDIC insurance costs and other regulatory fees increased $1.3 million, or 8.2%, and $108 thousand, or 1.4%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013, primarily due to the phase-out from the earnings component measure of the deferred tax asset recapture of $637.5 million recorded in the fourth quarter of 2012.

Professional fees declined $1.6 million, or 9.2%, and $2.2 million, or 21.0%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013. The decline in professional fees is mostly from a decrease in attorney fees.

Advertising expense increased $5.4 million, or 157.6%, and $4.5 million, or 244.9%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013 due to a 2014 advertising campaign that includes brand and capability awareness in key markets throughout Synovus' footprint. Advertising expense for the second half of 2014 is expected to be at similar levels as the second quarter of 2014 run rate due primarily to ongoing expenses associated with the 2014 advertising campaign. Actual expenses will depend on level of activity.

Foreclosed real estate costs declined $8.7 million, or 47.2%, and $3.4 million, or 45.8%, for the six and three months ended June 30, 2014, respectively, compared to the same periods in 2013. The decline was largely a result of lower levels of write-downs from declines in fair value of ORE, as well as lower ORE inventory due to a reduction in the level of foreclosures. For further discussion of foreclosed real estate, see the section captioned “Other Real Estate” of this Report.

Losses on other loans held for sale of $2.2 million for the six months ended June 30, 2014 increased $2.1 million compared to the same period a year ago with losses mostly related to the sale of one loan.

Other operating expenses declined $9.1 million and $5.7 million for the six and three months ended June 30, 2014 compared to the same periods in 2013. The first quarter of 2014 includes a $2.9 million recovery upon the termination of a letter of credit which was previously fully reserved, and the second quarter of 2014 includes a $1.6 million recovery on property taxes paid from a loan pay-off. Additionally, most all other expense categories declined for the six and three months ended June 30, 2014, compared to the same periods in 2013.

In January 2014, Synovus announced the planned implementation during 2014 of new expense savings initiatives which are expected to result in annualized cost savings of $30 million. 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. 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. Restructuring charges for the fourth quarter of 2014 are expected to include approximately $6 million in charges related to lease exit costs associated with the planned branch closings (based upon the expectation that these leased facilities will cease to be used during the fourth quarter of 2014).

The projected annualized cost savings of $30 million relate only to the implementation of the above mentioned expense savings initiatives. The projected reduction in expenses during 2014 resulting from the implementation of these initiatives is expected to be fully offset by incremental expenses associated with investments in talent, technology, and marketing. Management currently expects that adjusted non-interest expense for the year ending December 31, 2014 will be approximately the same as in 2013 ($670 million). See "Non-GAAP Financial Measures" in Synovus' 2013 Form 10-K for applicable reconciliation.

Income Tax Expense

Income tax expense was $55.7 million and $27.1 million for the six and three months ended June 30, 2014, respectively, compared to $44.3 million and $27.3 million for the six and three months ended June 30, 2013, respectively. Synovus expects to record income tax expense during 2014 at an annual effective tax rate of approximately 37%. The actual effective income tax rate in future periods could be affected by items that are infrequent in nature, such as new legislation and changes in the deferred tax asset valuation allowance.

At June 30, 2014, the net deferred tax asset, net of valuation allowance, was $677.5 million compared to $744.6 million million at December 31, 2013. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax bases, including operating losses and tax credit carryforwards.

Management assesses the valuation allowance recorded against deferred tax assets at each reporting period. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all positive and negative evidence. Based on the assessment of all the positive and negative evidence at June 30, 2014, management has concluded that it is more likely than not that $677.5 million of the net deferred tax asset will be realized based upon future taxable income. If actual results differ significantly from the current estimates of future taxable income, the

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valuation allowance may need to be increased. Such an increase to the deferred tax asset valuation allowance could have a material adverse effect on Synovus' financial condition or results of operations.

Synovus expects to realize the $677.5 million net deferred tax asset well in advance of the statutory carryforward period. At June 30, 2014, $195.8 million of existing deferred tax assets are not related to net operating losses or credits and, therefore, have no expiration date. Approximately $390.1 million of the remaining deferred tax assets relate to federal net operating losses, which will expire in installments annually beginning in 2028 through 2032. Additionally, $56.0 million of the deferred tax assets relate to state NOLs which expire in installments through the tax year 2034. Tax credit carryforwards at June 30, 2014 include federal alternative minimum tax credits totaling $24.6 million, which have an unlimited carryforward period. Other federal and state tax credits at June 30, 2014 total $26.0 million and have expiration dates through the tax year 2034.

A legislative proposal has called for lowering the current 35% federal corporate income tax rate. If the corporate income tax rate is lowered, it would reduce the value of the deferred tax assets which would result in additional income tax expense in the period that such lower rate is enacted. Changes in future enacted income tax rates could be significant to Synovus' financial position, results of operations, or cash flows.

The Tax Reform Act of 1986 contains provisions that limit the utilization of NOL carryovers if there has been an “ownership change” as defined in Section 382 of the IRC. In general, this would occur if ownership of common stock held by one or more 5% shareholders increased by more than 50 percentage points over their lowest pre-change ownership within a three year period. If Synovus experiences such an ownership change, the utilization of pre-change NOLs to reduce future federal income tax obligations could be limited. To reduce the likelihood of such an ownership change, Synovus adopted a tax benefits preservation rights plan in 2010 that was ratified by Synovus shareholders in 2011. This tax benefits preservation rights plan, as amended on April 24, 2013 and ratified by Synovus shareholders in 2014, will expire on April 28, 2016.

CREDIT QUALITY, CAPITAL RESOURCES AND LIQUIDITY

Credit Quality

Synovus continuously monitors the credit quality of its loan portfolio and maintains an allowance for loan losses that management believes is sufficient to absorb probable losses inherent in its loan portfolio. Credit quality improvement accelerated during the second quarter of 2014 with non-performing loans declining by 32.5% to an ending non-performing loans ratio of 1.27%.

The table below includes selected credit quality metrics.

Credit Quality Metrics	As of and for the Three Months Ended,					
(dollars in thousands)	June 30, 2014		March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Provision for loan losses	$12,284		9,511	14,064	6,761	13,077
Other credit costs	4,635		8,128	8,285	15,603	10,887
Total credit costs	$16,919		17,639	22,349	22,364	23,964
Non-performing loans	259,547		384,324	416,300	450,879	483,464
Impaired loans held for sale[(1)]	2,045		3,120	10,685	9,351	12,083
Other real estate	101,533		110,757	112,629	126,640	139,653
Non-performing assets	$363,125		498,201	539,614	586,870	635,200
Non-performing loans as a % of total loans	1.27	%	1.91	2.08	2.29	2.47
Non-performing assets as a % of total loans, other loans held for sale, and ORE	1.77	%	2.46	2.67	2.96	3.21
NPL inflows	$34,321		35,460	41,175	47,446	66,860
Loans 90 days past due and still accruing	4,798		6,563	4,489	4,738	4,595
As a % of total loans	0.02	%	0.03	0.02	0.02	0.02
Total past due loans and still accruing	$60,428		75,038	72,600	78,906	80,678
As a % of total loans	0.30	%	0.37	0.36	0.40	0.41
Net charge-offs	$35,372		15,181	25,116	23,029	29,969
Net charge-offs/average loans	0.69	%	0.30	0.51	0.47	0.61

Allowance for loan losses	$277,783	300,871	307,560	318,612	334,880
Allowance for loan losses as a % of total loans	1.36 %	1.49	1.53	1.62	1.71

(1) Represent only impaired loans that have been specifically identified to be sold. Impaired loans held for sale are carried at the lower of cost or fair value, less costs to sell, based primarily on estimated sales proceeds net of selling costs.

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Total credit costs

Total credit costs (provision for loan losses plus other credit costs which consist primarily of foreclosed real estate expense, net, provision for losses on unfunded commitments, and charges related to other loans held for sale) for the quarters ended June 30, 2014 and June 30, 2013 were $16.9 million and $24.0 million, respectively, including provision for loan losses of $12.3 million and $13.1 million, respectively, and expenses related to foreclosed real estate of $4.1 million and $7.5 million, respectively. Total credit costs improved 4.1% on a sequential quarter basis and improved 29.4 % from the second quarter of 2013. Synovus currently expects that credit costs for the second half of 2014 will be similar to the second quarter level as further credit quality improvements are partially offset by provision for loan losses associated with loan growth.

Non-performing Assets

Total NPAs were $363.1 million at June 30, 2014, a $176.5 million or 32.7% decrease from December 31, 2013 and a $272.1 million or 42.8% decrease from $635.2 million at June 30, 2013. The year-over-year decline in non-performing assets was primarily driven by significant balance reductions in legacy non-performing assets, a continued decline in NPL inflows, as well as asset dispositions. Total non-performing assets as a percentage of total loans, other loans held for sale, and other real estate were 1.77% at June 30, 2014 compared to 2.67% at December 31, 2013, and 3.21% at June 30, 2013. Synovus currently expects that NPAs and NPLs will continue on an overall downward trend throughout the second half of 2014.

NPL inflows during the second quarter of 2014 were $34.3 million, down $32.5 million or 48.7% from the second quarter of 2013 inflow additions of $66.9 million.

NPL Inflows by Loan Type

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Investment properties	$5,126	25,238	$2,407	13,180
1-4 family properties	5,078	37,872	3,533	17,522
Land for future development	6,541	13,094	2,694	6,532
Total commercial real estate	16,745	76,204	8,634	37,234
Commercial, financial and agricultural	17,710	24,819	12,163	10,876
Owner-occupied	10,876	10,694		