

SYNOVUS FINANCIAL CORP
Form 10-Q
August 05, 2015
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, 2015
Commission file number 1-10312

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

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

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

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

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

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

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

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

Class	July 31, 2015
Common Stock, \$1.00 Par Value	131,993,103

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SYNOVUS FINANCIAL CORP.

INDEX OF DEFINED TERMS

ALCO – Synovus' Asset Liability Management Committee

ASC – Accounting Standards Codification

ASR – accelerated share repurchase

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

CET1 – Common Equity Tier 1 Capital defined by Basel III capital rules

CMO – Collateralized Mortgage Obligation

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

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

CRE – Commercial Real Estate

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

Exchange Act – Securities Exchange Act of 1934, as amended

FASB – Financial Accounting Standards Board

FDIC – Federal Deposit Insurance Corporation

Federal Reserve Bank – The 12 banks that are the operating arms of the U.S. central bank. They implement the policies of the Federal Reserve Board and also conduct economic research.

Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System establishes monetary policy (interest rates, credit, etc.) and monitors the economic health of the country. Its members are appointed by the President, subject to Senate confirmation, and serve 14-year terms.

Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure.

FFIEC – Federal Financial Institutions Examination Council

FHLB – Federal Home Loan Bank

FICO – Fair Isaac Corporation

GA DBF – Georgia Department of Banking and Finance

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

HELOC – home equity line of credit

IASB – International Accounting Standards Board

IRC – Internal Revenue Code of 1986, as amended

LIBOR – London Interbank Offered Rate

LTV – loan-to-collateral value ratio

NAICS – North American Industry Classification System

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NPA – non-performing assets
NPL – non-performing loans
NSF – non-sufficient funds
OCI – other comprehensive income
ORE – other real estate
OTTI – other-than-temporary impairment
Parent Company – Synovus Financial Corp.
SCM – state, county, and municipal
SEC – U.S. Securities and Exchange Commission
Securities Act – Securities Act of 1933, as amended
Series C Preferred Stock – Synovus' Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, \$25 liquidation preference
Synovus – Synovus Financial Corp.
Synovus Bank – A Georgia state-chartered bank, formerly known as Columbus Bank and Trust Company, and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations
Synovus' 2014 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2014
Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank
Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank
TDR – troubled debt restructuring (as defined in ASC 310-40)
Treasury – United States Department of the Treasury
VIE – variable interest entity, as defined in ASC 810-10
Visa – The Visa U.S.A., Inc. card association or its affiliates, collectively
Visa Class 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, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	\$360,832	485,489
Interest bearing funds with Federal Reserve Bank	1,289,205	721,362
Interest earning deposits with banks	18,694	11,810
Federal funds sold and securities purchased under resale agreements	72,487	73,111
Trading account assets, at fair value	11,973	13,863
Mortgage loans held for sale, at fair value	98,202	63,328
Investment securities available for sale, at fair value	3,354,673	3,041,406
Loans, net of deferred fees and costs	21,494,869	21,097,699
Allowance for loan losses	(254,702)	) (261,317)
Loans, net	\$21,240,167	20,836,382
Premises and equipment, net	445,579	455,235
Goodwill	24,431	24,431
Other real estate	66,449	85,472
Deferred tax asset, net	571,402	622,464
Other assets	651,776	616,878
Total assets	\$28,205,870	27,051,231
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	\$6,421,815	6,228,472
Interest bearing deposits, excluding brokered deposits	14,775,216	13,660,830
Brokered deposits	1,452,150	1,642,398
Total deposits	22,649,181	21,531,700
Federal funds purchased and securities sold under repurchase agreements	188,285	126,916
Long-term debt	2,139,219	2,140,319
Other liabilities	223,028	211,026
Total liabilities	\$25,199,713	24,009,961
Shareholders' Equity		
Series C Preferred Stock – no par value. 5,200,000 shares outstanding at June 30, 2015 and December 31, 2014	125,980	125,980
Common stock - \$1.00 par value. Authorized 342,857,143 shares; 140,425,254 issued at June 30, 2015 and 139,950,422 issued at December 31, 2014; 132,257,577 outstanding at June 30, 2015 and 136,122,843 outstanding at December 31, 2014	140,425	139,950
Additional paid-in capital	2,981,434	2,960,825
Treasury stock, at cost – 8,167,677 shares at June 30, 2015 and 3,827,579 shares at December 31, 2014	(311,859)	) (187,774)
Accumulated other comprehensive loss, net	(22,323)	) (12,605)
Retained earnings	92,500	14,894
Total shareholders' equity	3,006,157	3,041,270

Total liabilities and shareholders' equity	\$28,205,870	27,051,231
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See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands, except per share data)	2015	2014	2015	2014
Interest income:				
Loans, including fees	\$432,026	427,080	\$216,756	215,737
Investment securities available for sale	28,117	29,746	14,175	14,490
Trading account assets	224	251	117	90
Mortgage loans held for sale	1,397	1,018	766	616
Federal Reserve Bank balances	1,592	998	947	472
Other earning assets	1,698	1,502	893	808
Total interest income	465,054	460,595	233,654	232,213
Interest expense:				
Deposits	31,631	27,742	16,813	13,521
Federal funds purchased and securities sold under repurchase agreements	89	151	46	75
Long-term debt	26,427	27,136	13,151	13,566
Total interest expense	58,147	55,029	30,010	27,162
Net interest income	406,907	405,566	203,644	205,051
Provision for loan losses	11,034	21,795	6,636	12,284
Net interest income after provision for loan losses	395,873	383,771	197,008	192,767
Non-interest income:				
Service charges on deposit accounts	38,928	38,451	19,795	19,238
Fiduciary and asset management fees	23,414	22,329	11,843	11,296
Brokerage revenue	14,032	12,920	6,782	6,707
Mortgage banking income	13,995	8,794	7,511	5,283
Bankcard fees	16,576	16,212	8,499	8,695
Investment securities gains, net	2,710	1,331	1,985	—
Other fee income	9,851	9,791	4,605	4,928
Gain on sale of Memphis branches, net	—	5,789	—	—
Other non-interest income	15,181	17,952	7,812	7,241
Total non-interest income	134,687	133,569	68,832	63,388
Non-interest expense:				
Salaries and other personnel expense	191,054	185,985	94,565	92,540
Net occupancy and equipment expense	52,713	52,480	26,541	26,425
Third-party processing expense	21,015	19,560	10,672	9,464
FDIC insurance and other regulatory fees	13,725	17,531	6,767	7,885
Professional fees	12,011	15,901	6,417	8,224
Advertising expense	6,309	8,757	2,865	6,281
Foreclosed real estate expense, net	13,847	9,745	4,351	4,063
Visa indemnification charges	729	752	354	356
Restructuring charges, net	(102)	) 16,293	5	7,716
Other operating expenses	45,412	39,361	25,269	19,251
Total non-interest expense	356,713	366,365	177,806	182,205
Income before income taxes	173,847	150,975	88,034	73,950
Income tax expense	64,091	55,686	32,242	27,078
Net income	109,756	95,289	55,792	46,872

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Dividends on preferred stock	5,119	5,119	2,559	2,559
Net income available to common shareholders	\$104,637	90,170	\$53,233	44,313
Net income per common share, basic	\$0.78	0.65	\$0.40	0.32
Net income per common share, diluted	0.78	0.65	0.40	0.32
Weighted average common shares outstanding, basic	133,935	138,961	132,947	138,991
Weighted average common shares outstanding, diluted	134,678	139,535	133,625	139,567

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands)	Six Months Ended June 30,					
	2015			2014		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	173,847	(64,091)	109,756	150,975	(55,686)	95,289
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	224	(87)	137	224	(87)	137
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	(2,710)	1,043	(1,667)	(1,331)	513	(818)
Net unrealized (losses) gains arising during the period	(13,467)	5,188	(8,279)	45,640	(17,572)	28,068
Net unrealized (losses) gains	(16,177)	6,231	(9,946)	44,309	(17,059)	27,250
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(84)	32	(52)	(144)	56	(88)
Actuarial gains arising during the period	236	(93)	143	395	(152)	243
Net unrealized gains	\$152	(61)	91	251	(96)	155
Other comprehensive (loss) income	\$(15,801)	6,083	(9,718)	44,784	(17,242)	27,542
Comprehensive income			\$100,038			122,831

See accompanying notes to unaudited interim consolidated financial statements.

(in thousands)	Three Months Ended June 30,					
	2015			2014		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	88,034	(32,242)	55,792	73,950	(27,078)	46,872
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	112	(44)	68	112	(44)	68
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	(1,985)	764	(1,221)	—	—	—
Net unrealized (losses) gains arising during the period	(28,678)	11,042	(17,636)	26,797	(10,317)	16,480
Net unrealized (losses) gains	(30,663)	11,806	(18,857)	26,797	(10,317)	16,480
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(42)	16	(26)	(72)	28	(44)

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Actuarial gains arising during the period	236	(93) 143	395	(152) 243
Net unrealized gains	\$194	(77) 117	323	(124) 199
Other comprehensive (loss) income	\$(30,357	) 11,685	(18,672	) 27,232	(10,485	) 16,747
Comprehensive income			\$37,120			63,619

See accompanying notes to unaudited interim consolidated financial statements.

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SYNOVUS FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(in thousands, except per share data)	Series C Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total
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 common stock - \$0.14 per share	—	—	—	—	—	(19,460)	(19,460)
Cash dividends paid on Series C Preferred Stock	—	—	(5,119)	—	—	—	(5,119)
Series C Preferred Stock-adjustment to issuance costs	118	—	—	—	—	—	118
Restricted share unit activity	—	39	(507)	—	—	—	(468)
Stock options exercised	—	75	1,229	—	—	—	1,304
Share-based compensation net 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
Balance at December 31, 2014	\$ 125,980	139,950	2,960,825	(187,774)	(12,605)	14,894	3,041,270
Net income	—	—	—	—	—	109,756	109,756
Other comprehensive income, net of income taxes	—	—	—	—	(9,718)	—	(9,718)
Cash dividends declared on common stock - \$0.20 per share	—	—	—	—	—	(26,664)	(26,664)
Cash dividends paid on Series C Preferred Stock	—	—	—	—	—	(5,119)	(5,119)
Repurchases and completion of ASR agreement to repurchase shares of common stock	—	—	14,515	(124,085)	—	—	(109,570)
Restricted share unit activity	—	278	(4,314)	—	—	(367)	(4,403)
Stock options exercised	—	197	3,074	—	—	—	3,271
Share-based compensation net tax benefit	—	—	1,063	—	—	—	1,063
Share-based compensation expense	—	—	6,271	—	—	—	6,271
Balance at June 30, 2015	\$ 125,980	140,425	2,981,434	(311,859)	(22,323)	92,500	3,006,157

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Six Months Ended June 30,	
	2015	2014
Operating Activities		
Net income	109,756	95,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	11,034	21,795
Depreciation, amortization, and accretion, net	28,169	26,342
Deferred income tax expense	58,302	49,891
Decrease (increase) in trading account assets	1,891	(14,205)
Originations of mortgage loans held for sale	(454,708)	(347,327)
Proceeds from sales of mortgage loans held for sale	426,430	325,722
Gain on sales of mortgage loans held for sale, net	(8,988)	(6,522)
Increase in other assets	(38,776)	(8,924)
(Decrease) increase in other liabilities	(34,914)	1,955
Investment securities gains, net	(2,710)	(1,331)
Losses and write-downs on other real estate, net	11,066	8,229
Share-based compensation expense	6,271	4,698
Write-downs on other assets held for sale	—	7,508
Gain on sale of Memphis branches, net	—	(5,789)
Gain on sale of branch property	—	(3,116)
Net cash provided by operating activities	\$112,823	154,215
Investing Activities		
Net cash used in dispositions	—	(90,571)
Net (increase) decrease in interest earning deposits with banks	(6,884)	16,664
Net decrease in federal funds sold and securities purchased under resale agreements	623	1,422
Net increase in interest bearing funds with Federal Reserve Bank	(567,843)	(44,756)
Proceeds from maturities and principal collections of investment securities available for sale	314,239	245,108
Proceeds from sales of investment securities available for sale	82,156	20,815
Purchases of investment securities available for sale	(686,074)	(111,505)
Proceeds from sales of loans and principal repayments on other loans held for sale	21,866	37,300
Proceeds from sales of other real estate	19,348	28,147
Net increase in loans	(445,124)	(594,896)
Net increase in premises and equipment	(8,805)	(23,938)
Proceeds from sales of other assets held for sale	351	241
Net cash used in investing activities	\$(1,276,147)	(515,969)
Financing Activities		
Net increase in demand and savings deposits	1,039,670	208,039
Net increase in certificates of deposit	77,813	100,011
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	61,369	(20,292)
Principal repayments on long-term debt	(425,078)	(375,667)
Proceeds from issuance of long-term debt	425,000	600,000

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Dividends paid to common shareholders	(26,664) (19,460)
Dividends paid to preferred shareholders	(5,119) (5,119)
Stock options exercised	3,271	1,304	
Repurchases of common stock	(109,570) —	
Excess tax benefit from share-based compensation	2,378	201	
Restricted stock activity	(4,403	) (468)
Net cash provided by financing activities	\$1,038,667	488,549	
(Decrease) increase in cash and cash equivalents	(124,657	) 126,795	
Cash and cash equivalents at beginning of period	485,489	469,630	
Cash and cash equivalents at end of period	\$360,832	596,425	

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Supplemental Cash Flow Information

Cash paid during the period for:

Income tax payments (refunds), net	8,751	4,530
Interest paid	55,747	56,657

Non-cash Activities

Premises and equipment transferred to other assets held for sale	939	13,037
Loans foreclosed and transferred to other real estate	11,391	25,280
Loans transferred to other loans held for sale at fair value	19,459	31,605
Securities purchased during the period but settled after period-end	47,159	—

Dispositions:

Fair value of non-cash assets sold	—	(100,982)
Fair value of liabilities sold	—	(191,553)

See accompanying notes to unaudited interim consolidated financial statements.

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Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

The accompanying unaudited interim consolidated financial statements of Synovus include the accounts of the Parent Company and its consolidated subsidiaries. Synovus provides integrated financial services including commercial and retail banking, financial management, insurance and mortgage services to customers through locally-branded divisions of its wholly-owned subsidiary bank, Synovus Bank, in offices located in 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' 2014 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2014 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; contingent liabilities related to legal matters; and the deferred tax assets valuation allowance.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At June 30, 2015, no amount of the due from banks balance was restricted as to withdrawal. At December 31, 2014, \$125 thousand 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. At June 30, 2015 and December 31, 2014, interest bearing funds with the Federal Reserve Bank included \$123.1 million and \$89.7 million, respectively, on deposit to meet Federal Reserve Bank requirements. Interest earning deposits with banks include \$6.6 million and \$7.1 million at June 30, 2015 and December 31, 2014, respectively, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$68.1 million and \$67.5 million at June 30, 2015 and December 31, 2014, respectively, 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.

Recently Adopted Accounting Standards Updates

During 2014, the FASB issued the following ASUs, all of which became effective January 1, 2015:

ASU 2014-01, Investments-Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the FASB issued amended guidance which permits Synovus to make an accounting policy election to account for its investments in qualified affordable housing projects using a proportional amortization method, if certain

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conditions are met, and to present the amortization as a component of income tax expense. The amended guidance would be applied retrospectively to all periods presented and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Regardless of the policy election, the amended guidance, where disclosed, enables the users of the financial statements to understand the nature of investments in qualified affordable housing projects and the effect of the measurement of the investments in qualified affordable housing projects and the related tax credits on Synovus' financial position and results of operations.

Synovus adopted the amended guidance on January 1, 2015, and did not make an accounting policy election to apply the proportional amortization method for its investments in qualified affordable housing projects because the impact to the consolidated financial statements was insignificant. Therefore, the adoption did not have an impact on Synovus' consolidated financial statements. At June 30, 2015, the aggregate carrying value of Synovus' investments in LIHTC partnerships was \$9.9 million. See Note 18 "Variable Interest Entities" to the consolidated financial statements of Synovus' 2014 Form 10-K for additional information regarding these investments.

Additionally, adoption of the following standards effective January 1, 2015 did not have a significant impact on Synovus' consolidated financial statements.

ASU 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure
ASU 2014-12, Accounting for Share-Based Payments when the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period

ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

ASU 2014-04, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure
Reclassifications

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

Subsequent Events

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

Note 2 - Share Repurchase Program

On October 21, 2014, Synovus announced a \$250 million share repurchase program, which will expire on October 23, 2015. As of June 30, 2015, Synovus had repurchased a total of \$197.5 million, or 7.4 million shares, of common stock under the share repurchase program through a combination of share repurchases under the accelerated share repurchase (ASR) agreement described below and open market transactions.

During October 2014, Synovus entered into an ASR agreement to purchase \$75.0 million of Synovus common stock under the share repurchase program. As of December 31, 2014, Synovus had repurchased 2.5 million shares of common stock under the ASR agreement. During January 2015, Synovus repurchased 392 thousand shares upon completion of the ASR agreement. Additionally, since October 2014 through June 30, 2015, Synovus has repurchased \$122.5 million, or 4.5 million shares, of common stock through open market transactions, including \$109.4 million, or 3.9 million shares, of common stock repurchased during the first half of 2015.

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 branches of Trust One Bank, a division of Synovus Bank. The sale included \$89.6 million in total loans and \$191.3 million in total deposits. Results for the 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, 2015 and December 31, 2014 are summarized below.

(in thousands)	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$43,149	383	—	43,532
U.S. Government agency securities	24,505	763	—	25,268
Securities issued by U.S. Government sponsored enterprises	126,947	920	—	127,867
Mortgage-backed securities issued by U.S. Government agencies	176,856	2,012	(794)	) 178,074
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,416,229	12,780	(18,280)	) 2,410,729
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	534,730	4,487	(1,949)	) 537,268
State and municipal securities	4,566	120	(1)	) 4,685
Equity securities	3,228	4,375	—	7,603
Other investments	20,145	—	(498)	) 19,647
Total investment securities available for sale	\$3,350,355	25,840	(21,522)	) 3,354,673
	December 31, 2014			
(in thousands)	Amortized Cost ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$42,636	190	—	42,826
U.S. Government agency securities	26,426	898	—	27,324
Securities issued by U.S. Government sponsored enterprises	81,332	710	—	82,042
Mortgage-backed securities issued by U.S. Government agencies	177,678	2,578	(440)	) 179,816
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,250,897	19,915	(9,131)	) 2,261,681
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	414,562	4,856	(2,342)	) 417,076
State and municipal securities	5,024	183	(1)	) 5,206
Equity securities	3,228	3,520	—	6,748
Other investments	19,121	7	(441)	) 18,687
Total investment securities available for sale	\$3,020,904	32,857	(12,355)	) 3,041,406

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

At June 30, 2015 and December 31, 2014, investment securities with a carrying value of \$2.22 billion and \$2.12 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, 2015 and December 31, 2014 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 prior to the respective securities' recovery of all such unrealized losses.

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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, 2015, Synovus had thirty-seven investment securities in a loss position for less than twelve months and thirty-two 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, 2015 and December 31, 2014, are presented below.

(in thousands)	June 30, 2015					
	Less than 12 Months		12 Months or Longer		Total	Gross Unrealized Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	
Mortgage-backed securities issued by U.S. Government agencies	30,996	169	19,805	625	50,801	794
Mortgage-backed securities issued by U.S. Government sponsored enterprises	803,540	4,383	620,762	13,897	1,424,302	18,280
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	74,962	176	78,262	1,773	153,224	1,949
State and municipal securities	—	—	47	1	47	1
Other investments	14,900	100	4,747	398	19,647	498
Total	\$924,398	4,828	723,623	16,694	1,648,021	21,522
(in thousands)	December 31, 2014					
	Less than 12 Months		12 Months or Longer		Total	Gross Unrealized Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	
Mortgage-backed securities issued by U.S. Government agencies	—	—	21,488	440	21,488	440
	251,134	763	798,282	8,368	1,049,416	9,131

Mortgage-backed securities issued by U.S. Government sponsored enterprises							
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	20,338	61	119,172	2,281	139,510	2,342	
State and municipal securities	—	—	45	1	45	1	
Other investments	—	—	3,680	441	3,680	441	
Total	\$271,472	824	942,667	11,531	1,214,139	12,355	

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The amortized cost and fair value by contractual maturity of investment securities available for sale at June 30, 2015 are shown below. The expected life of mortgage-backed securities or CMOs may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. For purposes of the maturity table, mortgage-backed securities and CMOs, which are not due at a single maturity date, have been classified based on the final contractual maturity date.

(in thousands)	Distribution of Maturities at June 30, 2015					Total
	Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	No Stated Maturity	
Amortized Cost						
U.S. Treasury securities	\$ 18,286	24,863	—	—	—	43,149
U.S. Government agency securities	78	12,000	12,427	—	—	24,505
Securities issued by U.S. Government sponsored enterprises	30,412	96,535	—	—	—	126,947
Mortgage-backed securities issued by U.S. Government agencies	—	—	—	—	—	—