

SYNOVUS FINANCIAL CORP
Form 10-Q
August 09, 2011
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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, 2011

Commission File Number 1-10312

SYNOVUS FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

GEORGIA
(State or other jurisdiction of
incorporation or organization)

58-1134883
(I.R.S. Employer Identification No.)

1111 Bay Avenue, Suite # 500

P.O. Box 120

Columbus, Georgia 31902

(Address of principal executive offices)

(706) 649-2311

(Registrants telephone number, including area code)

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 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 during the preceding 12 months (or for such shorter period that the

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registrant was required to submit and post such files).

Yes 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 definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

(Do not check if a 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

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

Class
Common Stock, \$1.00 Par Value

July 31, 2011
790,972,646 shares

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SYNOVUS FINANCIAL CORP.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS****SYNOVUS FINANCIAL CORP.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(unaudited)**

<i>(in thousands, except share data)</i>	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 409,302	389,021
Interest bearing funds with Federal Reserve Bank	2,845,277	3,103,896
Interest earning deposits with banks	24,133	16,446
Federal funds sold and securities purchased under resale agreements	127,580	160,502
Trading account assets, at fair value	16,130	22,294
Mortgage loans held for sale, at fair value	78,752	232,839
Other loans held for sale	89,139	127,365
Investment securities available for sale, at fair value	3,259,254	3,440,268
Loans, net of deferred fees and costs	20,504,810	21,585,763
Allowance for loan losses	(631,401)	(703,547)
Loans, net	19,873,409	20,882,216
Premises and equipment, net	493,638	544,971
Goodwill	24,431	24,431
Other intangible assets, net	10,449	12,434
Other real estate	244,313	261,305
Other assets	818,103	875,160
Total assets	\$ 28,313,910	30,093,148
LIABILITIES AND EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	\$ 4,877,267	4,298,372
Interest bearing deposits	17,997,750	20,201,932
Total deposits	22,875,017	24,500,304
Federal funds purchased and other short-term borrowings	452,466	499,226
Long-term debt	1,894,901	1,808,161
Other liabilities	240,588	260,910
Total liabilities	25,462,972	27,068,601
Equity		
Shareholders' equity:		

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Cumulative perpetual preferred stock no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding at June 30, 2011 and December 31, 2010	942,096	937,323
Common stock - \$1.00 par value. Authorized 1,200,000,000 shares; issued 790,972,646 at June 30, 2011 and 790,956,289 at December 31, 2010; outstanding 785,279,194 at June 30, 2011 and 785,262,837 at December 31, 2010	790,973	790,956
Additional paid-in capital	2,353,854	2,351,508
Treasury stock, at cost - 5,693,452 shares in 2011 and 2010	(114,176)	(114,176)
Accumulated other comprehensive income	65,905	57,158
Accumulated deficit	(1,187,714)	(1,024,851)
Total shareholders equity	2,850,938	2,997,918
Non-controlling interest in subsidiaries		26,629
Total equity	2,850,938	3,024,547
Total liabilities and equity	\$ 28,313,910	30,093,148

See accompanying notes to consolidated financial statements.

Table of Contents**SYNOVUS FINANCIAL CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
<i>(in thousands, except per share data)</i>				
Interest income:				
Loans, including fees	\$ 521,634	603,801	256,597	299,035
Investment securities available for sale	57,350	69,482	27,925	34,413
Trading account assets	478	422	222	228
Mortgage loans held for sale	3,034	3,148	1,223	1,824
Other loans held for sale	297	21	236	6
Federal funds sold and securities purchased under resale agreements	71	102	25	61
Interest on Federal Reserve Bank balances	3,524	3,547	1,742	2,168
Interest earning deposits with banks	96	11	82	4
Total interest income	586,484	680,534	288,052	337,739
Interest expense:				
Deposits	95,432	159,772	45,869	76,065
Federal funds purchased and other short-term borrowings	594	1,087	297	544
Long-term debt	22,063	20,770	10,925	11,091
Total interest expense	118,089	181,629	57,091	87,700
Net interest income	468,395	498,905	230,961	250,039
Provision for losses on loans	261,905	639,851	120,159	298,904
Net interest income (expense) after provision for losses on loans	206,490	(140,946)	110,802	(48,865)
Non-interest income:				
Service charges on deposit accounts	39,556	54,155	19,238	27,876
Fiduciary and asset management fees	23,416	22,695	11,879	11,357
Brokerage revenue	12,511	12,699	6,291	6,768
Mortgage revenue, net	8,042	12,132	5,547	6,318
Bankcard fees	22,782	19,315	12,125	9,800
Investment securities gains (losses), net	1,797	(431)	377	17
Other fee income	10,220	10,932	5,289	5,402
(Decrease) increase in fair value of private equity investments, net	(169)	2,181	(301)	1,283
Other non-interest income	13,858	10,013	7,404	5,174
Total non-interest income	132,013	143,691	67,849	73,995
Non-interest expense:				
Salaries and other personnel expense	184,849	207,951	91,749	103,929
Net occupancy and equipment expense	58,717	60,565	28,883	30,588
FDIC insurance and other regulatory fees	30,362	36,615	15,956	18,970
Foreclosed real estate expense, net	64,609	91,948	39,872	46,440
(Gains) losses on other loans held for sale, net	(1,746)	73	480	12
Professional fees	20,129	20,976	10,893	11,595
Data processing expense	18,201	22,007	9,251	11,323
Restructuring charges	27,439		3,106	

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Loss on curtailment of post-retirement defined benefit plan	398			
Other operating expenses	59,173	71,424	22,225	35,905
Total non-interest expense	462,131	511,559	222,415	258,762
Loss from continuing operations before income taxes	(123,628)	(508,814)	(43,764)	(233,632)
Income tax benefit	(5,220)	(21,395)	(4,764)	(5,057)
Loss from continuing operations	(118,408)	(487,419)	(39,000)	(228,575)
Income from discontinued operations, net of income taxes and non- controlling interest		43,162		
Net loss	(118,408)	(444,257)	(39,000)	(228,575)
Net loss attributable to non-controlling interest	(220)	(590)		(381)
Net loss attributable to controlling interest	(118,188)	(443,667)	(39,000)	(228,194)
Dividends and accretion of discount on preferred stock	28,970	28,685	14,504	14,360
Net loss attributable to common shareholders	\$ (147,158)	(472,352)	(53,504)	(242,554)
Net loss per common share, basic and diluted:				
Net loss from continuing operations attributable to common shareholders	\$ (0.19)	(0.88)	(0.07)	(0.36)
Net loss attributable to common shareholders	(0.19)	(0.81)	(0.07)	(0.36)
Weighted average common shares outstanding, basic and diluted	785,260	583,697	785,277	676,753

See accompanying notes to consolidated financial statements.

Table of Contents**SYNOVUS FINANCIAL CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****AND COMPREHENSIVE INCOME (LOSS)****(unaudited)**

	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	(Accumulated Deficit)	Non- Controlling Interest	Total
<i>(in thousands, except per share data)</i>								
Balance at December 31, 2009	\$ 928,207	495,514	1,605,097	(114,155)	84,806	(148,428)	20,460	2,871,501
Net loss						(443,667)	(590)	(444,257)
Other comprehensive income, net of tax:								
Change in net unrealized gain on cash flow hedges					(6,580)			(6,580)
Change in net unrealized gains and losses on investment securities available for sale, net of reclassification adjustment					23,575			23,575
Amortization of post-retirement unfunded health benefit					(728)			(728)
Other comprehensive income					16,267			16,267
Comprehensive loss								(427,990)
Cash dividends declared on common stock \$0.02 per share						(12,749)		(12,749)
Cash dividends paid on preferred stock						(24,197)		(24,197)
Accretion of discount on preferred stock	4,488					(4,488)		
Issuance of common stock, net of issuance costs		293,250	475,761					769,011
Issuance of prepaid common stock purchase contracts			265,503					265,503
Settlement of prepaid common stock purchase contracts		1,959	(1,959)					
Treasury shares purchased				(19)				(19)
Issuance of non-vested stock, net of forfeitures		(6)	6					
Restricted share unit activity		31	(31)					
Share-based compensation expense			4,296					4,296
Stock options exercised		1						1
Share-based compensation tax deficiency			(1,772)					(1,772)
Change in ownership at majority-owned subsidiary						217	2,432	2,649
Balance at June 30, 2010	\$ 932,695	790,749	2,346,901	(114,174)	101,073	(633,312)	22,302	3,446,234
Balance at December 31, 2010	\$ 937,323	790,956	2,351,508	(114,176)	57,158	(1,024,851)	26,629	3,024,547
Net loss						(118,188)	(220)	(118,408)
Other comprehensive income, net of tax:								
Change in net unrealized gains and losses on cash flow hedges					(4,360)			(4,360)

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Change in net unrealized gains and losses on investment securities available for sale, net of reclassification adjustment					13,107		13,107
Other comprehensive income					8,747		8,747
Comprehensive loss							(109,661)
Cash dividends declared on common stock \$0.02 per share					(15,705)		(15,705)
Cash dividends paid on preferred stock					(24,197)		(24,197)
Accretion of discount on preferred stock	4,773				(4,773)		
Restricted share unit activity		17		(17)			
Share-based compensation expense				2,363			2,363
Change in ownership at majority-owned subsidiary						(26,409)	(26,409)
Balance at June 30, 2011	\$ 942,096	790,973	2,353,854	(114,176)	65,905	(1,187,714)	2,850,938

See accompanying notes to consolidated financial statements.

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

<i>(in thousands)</i>	Six Months Ended June 30,	
	2011	2010
Operating activities		
Net loss	\$ (118,408)	(444,257)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for losses on loans	261,905	639,851
Depreciation, amortization, and accretion, net	23,412	21,772
Deferred income tax benefit	(5,304)	(6,315)
Decrease in interest receivable	10,950	16,506
Decrease in interest payable	(10,248)	(6,663)
Decrease (increase) in trading account assets	6,164	(5,639)
Originations of mortgage loans held for sale	(392,707)	(543,309)
Proceeds from sales of mortgage loans held for sale	542,665	544,965
Loss (gain) on sale of mortgage loans held for sale	296	(4,818)
Decrease in prepaid and other assets	61,301	347,292
(Decrease) increase in accrued salaries and benefits	(6,388)	2,328
(Decrease) increase in other liabilities	(3,687)	27,035
Investment securities (gains) losses, net	(1,797)	431
(Gain) loss on sale of other loans held for sale	(1,746)	73
Loss on other real estate	54,543	79,302
Decrease (increase) in fair value of private equity investments, net	169	(2,181)
Gain on sale of merchant services business		(69,466)
Loss on curtailment of post-retirement health benefit plan	398	
Share-based compensation	2,363	4,296
Other, net	3,675	(1,445)
Net cash provided by (used in) operating activities	427,556	599,758
Investing activities		
Net (increase) decrease in interest earning deposits with banks	(7,687)	1,926
Net decrease in federal funds sold and securities purchased under resale agreements	32,922	43,966
Net decrease (increase) in interest bearing funds with Federal Reserve Bank	258,619	(1,755,701)
Proceeds from maturities and principal collections of investment securities available for sale	573,759	488,612
Proceeds from sales of investment securities available for sale	17,044	244
Purchases of investment securities available for sale	(389,724)	(589,495)
Proceeds from sale of loans	194,220	194,141
Principal repayments by borrowers on other loans held for sale	28,305	
Proceeds from sale of other real estate	88,003	142,006
Net decrease in loans	425,919	884,766
Purchases of premises and equipment	(9,014)	(11,193)
Proceeds from disposals of premises and equipment	2,014	1,630
Proceeds from sale of merchant services business		69,466
Net cash provided by (used in) investing activities	1,214,380	(529,632)
Financing activities		
Net decrease in demand and savings deposits	(347,750)	(71,122)
Net decrease in certificates of deposit	(1,277,537)	(1,104,848)

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Net (decrease) increase in federal funds purchased and other short-term borrowings	(46,760)	1,536
Principal repayments on long-term debt	(74,706)	(91,866)
Proceeds from issuance of long-term debt	165,000	220,355
Treasury shares purchased		(19)
Dividends paid to common shareholders	(15,705)	(9,803)
Dividends paid to preferred shareholders	(24,197)	(24,197)
Proceeds from the issuance of prepaid common stock purchase contracts		265,503
Proceeds from issuance of common stock		769,011
Net cash used in financing activities	(1,621,655)	(45,450)
Increase in cash and cash equivalents	20,281	24,676
Cash and due from banks at beginning of period	389,021	564,482
Cash and due from banks at end of period	\$ 409,302	589,158

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles (GAAP). All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods covered by this report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Synovus Financial Corp. (Synovus) consolidated financial statements and related notes appearing in Synovus' annual report on Form 10-K/A for the year ended December 31, 2010 (Synovus' 2010 10-K) filed with the U.S. Securities and Exchange Commission (SEC). There have been no significant changes to the accounting policies as disclosed in Synovus' 2010 10-K.

In preparing the 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 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 fair value of investments; the allowance for loan losses; the valuation of other real estate; the valuation of impaired and other loans held for sale; the valuation of long-lived assets, and other intangible assets; the valuation of deferred tax assets; and the disclosures of contingent assets and liabilities. In connection with the determination of the allowance for loan losses and the valuation of certain impaired loans and other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. For valuation of impaired loans and other real estate, management also considers other factors or recent developments such as changes in absorption rates or market conditions at the time of valuation and anticipated sales values based on management's plans for disposition.

A substantial portion of Synovus' loans are secured by real estate in five southeastern states (Georgia, Alabama, Florida, South Carolina, and Tennessee). Accordingly, the ultimate collectability of a substantial portion of Synovus' loan portfolio is susceptible to changes in market conditions in these areas. Total commercial real estate loans represent 38.0% of the total loan portfolio at June 30, 2011. Due to declines in economic indicators and real estate values, the loans in the commercial real estate portfolio may have a greater risk of non-collection than other loans. Based on available information, management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, the ability of borrowers to repay their loans, and management's plans for disposition. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Synovus' allowance for loan losses. Such agencies may require Synovus to make changes to the allowance for loan losses based on their judgment of information available to them at the time of their examination.

Goodwill is tested for impairment on an annual basis and as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Synovus completed its 2011 annual review as of June 30, 2011 and concluded there was no impairment of goodwill as of this date.

Table of Contents**Notes to Consolidated Financial Statements (Unaudited)****Supplemental Cash Flow Information**

Supplemental cash flow information for the six months ended June 30, 2011 and 2010 is presented in the table below.

<i>(in thousands)</i>	Six Months Ended June 30,	
	2011	2010
Cash Paid (Received) During the Period for:		
Income tax refunds, net of taxes paid	\$ 225	324,963
Interest paid	104,760	170,490
Non-Cash Investing Activities (at Fair Value):		
Increase in net unrealized gain on available for sale securities ⁽¹⁾	20,666	38,581
Decrease in unrealized gain on cash flow hedges ⁽¹⁾	2,008	20,882
Mortgage loans held for sale transferred to loans	6,377	2,068
Loans foreclosed and transferred to other real estate	125,356	192,509
Loans transferred to other loans held for sale	289,587	274,188
Other loans held for sale transferred to loans	3,644	
Other loans held for sale foreclosed and transferred to other real estate	8,137	
Premises and equipment transferred to other assets held for sale ⁽¹⁾	28,048	

- (1) Changes in unrealized gains on available for sale securities and cash flow hedges have not been adjusted for the impact of deferred taxes.
(2) Amounts transferred include \$16.3 million related to branch closures discussed further in Note 2 Restructuring Charges herein and \$11.8 million of vacant properties, primarily land held for future branch development. Amounts presented are net of impairment charges incurred to record the transferred assets at the lower of their cost or fair value consistent with ASC 360.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At June 30, 2011 and December 31, 2010, cash and cash equivalents include \$51.6 million and \$66.6 million, respectively, on deposit to meet Federal Reserve Bank requirements, and include \$15.6 million at June 30, 2011 which is restricted as to withdrawal. There were no cash and cash equivalents restricted as to withdrawal at December 31, 2010.

Short-Term Investments

Short-term investments consist of interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and federal funds sold and securities purchased under resale agreements. Interest earning deposits with banks include \$12.9 million at June 30, 2011 and \$11.3 million at December 31, 2010, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$125.4 million at June 30, 2011 and \$154.6 million at December 31, 2010, which is pledged to collateralize derivative instruments in a net liability position.

Recently Adopted Accounting Standards Updates

Effective January 1, 2010, Synovus adopted certain of the new disclosure requirements of Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820-10, Fair Value Measurements and Disclosures Overall, to add a new requirement to disclose details of significant transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers. The ASU clarifies that fair value disclosure of assets and liabilities should be by class rather than major category, and further clarifies

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that reporting entities must disclose the valuation techniques and inputs used in determining the fair value of each class of assets and liabilities. This clarifies that the existing disclosure requirement of ASC 820 applies to Level 2 as well as Level 3 measurements. Further, for recurring measurements, it clarifies that disclosure of the inputs used is required. On January 1, 2011, Synovus adopted the remaining disclosure requirement of ASU 2010-06, which requires the gross presentation of activity within the Level 3 roll forward, presenting separately information about purchases, sales, issuances, and settlements. The impact of adoption for Synovus was the inclusion of additional disclosures in Synovus consolidated financial statements.

Effective December 31, 2010, Synovus adopted certain of the key provisions of ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, (ASU 2010-20). ASU 2010-20 amends ASC 310 by requiring more robust and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for loan losses. The objective of enhancing these disclosures is to improve financial statement users' understanding of (1) the nature of an entity's credit risk associated with its financing receivables and (2) the entity's assessment of that risk in estimating its allowance for loan losses as well as changes in the allowance and reasons for those changes. Most of the new and amended disclosures in the ASU were effective December 31, 2010; however, the disclosures that include information for activity that occurs during a reporting period became effective January 1, 2011. Those disclosures include (1) the activity in the

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Notes to Consolidated Financial Statements (Unaudited)

allowance for loan losses for each period and (2) disclosures about modifications of financing receivables. The impact of adoption for Synovus was the inclusion of additional disclosures in Synovus' consolidated financial statements.

Effective January 1, 2011, Synovus adopted ASU No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the Financial Accounting Standards Board (FASB) Emerging Issues Task Force), (ASU 2010-28). Under ASC 350-20, step 1 of the goodwill impairment test requires companies to compare a reporting unit's fair value to its carrying amount. If the reporting unit's carrying amount exceeds its fair value, companies must perform Step 2 of the test and measure the amount of goodwill impairment, if any. When a reporting unit's carrying amount is zero or negative, current guidance does not allow a company to proceed to Step 2, even though other factors may indicate that the goodwill was impaired. The EITF reached a final consensus with ASU 2010-28 that requires entities with reporting units with a zero or negative carrying value to assess, considering qualitative factors such as those listed in ASC 350-20-35-30 (these factors are not all-inclusive), whether it is more likely than not that goodwill impairment exists. If an entity concludes that it is more likely than not that goodwill impairment exists, the entity must perform step 2 of the goodwill impairment test. Synovus goodwill balance is associated with two financial management services reporting units, both of which had positive carrying amounts as of June 30, 2011. Therefore, Synovus does not expect that the adoption of the provisions of ASU 2010-28, will have a material impact on its financial position, results of operations, or cash flows.

Effective January 1, 2011, Synovus adopted ASU No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the FASB Emerging Issues Task Force), (ASU 2010-29). ASU 2010-29 addresses differences in the ways entities have interpreted ASC 805's requirements for disclosures about pro forma revenue and earnings in a business combination. ASU 2010-29 requires that if an entity presents comparable financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. In addition, ASU 2010-29 expands the supplemental pro forma disclosures under ASC 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The impact of adoption will be inclusion of additional disclosures in Synovus' consolidated financial statements in connection with any future business combinations.

Recently Issued Accounting Standards Updates

In January 2011, the FASB issued ASU 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. The amendments in this Update were effective upon issuance, as it provided a temporary delay in the effective date of the disclosures about troubled debt restructurings in Update 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, for public entities. The delay was intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring (TDR), as presented in a proposed ASU, Clarifications to Accounting for Troubled Debt Restructurings by Creditors. Under the existing effective date in Update 2010-20, public-entity creditors would have provided disclosures about TDRs for periods beginning on or after December 15, 2010. The amendments in this Update temporarily deferred that effective date enabling public-entity creditors to provide those disclosures after the Board clarified the guidance for determining what constitutes a TDR. The deferral in this Update will result in more consistent disclosures about TDRs. This amendment does not defer the effective date of the other disclosure requirements in Update 2010-20.

Effective April 2011, the FASB issued ASU 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring. The ASU provides additional guidance to creditors for evaluating whether a modification or restructuring of a receivable is a TDR by providing clarification to existing guidance on whether (1) the creditor has granted a concession and (2) whether the debtor is experiencing financial difficulties, which are the two criteria used to determine whether a modification or restructuring is a TDR. Specifically, the ASU provides additional guidance on determining whether a creditor has granted a concession, including guidance on collection of all amounts due, receipt of additional collateral or guarantees from the debtor, and restructuring the debt at a below-market interest rate; includes factors and examples for creditors to determine whether an insignificant delay in payment is considered a concession; prohibits creditors from using the borrower's

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effective rate test in ASC 470-50, Debt, Modifications and Extinguishment, to evaluate whether a concession has been granted to the borrower; adds factors for creditors to use to determine whether the debtor is experiencing financial difficulties; and ends the FASB's deferral of the additional disclosures about TDR activities required by ASU 2010-20. This ASU is effective for the first interim or annual period beginning on or after June 15, 2011. Early adoption is permitted. Synovus will be required to apply the ASU retrospectively for all modifications and restructuring activities that have occurred from the beginning of the annual period of adoption. For receivables that are newly considered impaired under the guidance, Synovus should measure the impairment of those receivables prospectively in the first period of adoption and disclose the total recorded investment in those receivables and the related allowance for credit losses as of the end of the period of adoption. In addition, Synovus must begin providing the new disclosures about TDR activities required by ASU 2010-20 in the period of adoption of ASU 2011-02. Synovus is currently evaluating the impact of adopting ASU 2011-02 on its financial position, results of operations, and disclosures. Synovus currently expects that the adoption of ASU 2011-02 will result in an increase in the number of loan modifications and renewals that will be reported as TDRs due mainly to the broader criteria for what constitutes a below-market rate. Additionally, Synovus does not expect a material impact to the allowance for loan losses, charge-offs, or provision for losses on loans upon implementation of ASU 2011-02 during the three months ending September 30, 2011.

On April 29, 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The ASU modifies the criteria for determining when repurchase agreements and other similar agreements would be accounted for as financings (secured borrowings/lending agreements) as opposed to sales (purchases) with commitments to repurchase (resell). In addition, ASU 2011-03 removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in default by the transferee, which makes the level of cash collateral received by the transferor in a repossession or other similar agreement irrelevant in determining if it should be accounted for as a sale. As a result, more agreements will be accounted for as financings. The FASB believes that contractual rights and obligations determine effective control, and there does not need to be a requirement to assess the ability to exercise those rights. The guidance in this ASU is effective prospectively for new transfers and existing transactions that are modified in the first interim or annual period beginning on or after December 15, 2011. Early adoption is not permitted. Synovus is currently evaluating the impact of adopting ASU 2011-03 on its financial position and results of operations but has not yet completed its assessment.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). This guidance improves and aligns fair value measurement and disclosure requirements under U.S. GAAP and IFRS. ASU 2011-04 requires premiums and discounts, such as control premiums or non-controlling interest discounts, to be applied in a fair value measurement categorized within Level 2 or Level 3 of the fair value hierarchy if market participants would use such factors when pricing the asset or liability. However, blockage factors related to the size of a holding are not permitted in a fair value measurement because a fair value measurement reflects the value of the asset or liability to a market participant for a particular unit of account and is not necessarily representative of the value of the entire holding. This ASU also expands disclosure requirements about fair value measurements including information about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs and the categorization by level of the fair value hierarchy for items that are not measured at fair value in the Consolidate Balance Sheets, but for which the fair value of such items is required to be disclosed. ASU 2011-04 is effective for the first interim or annual period beginning on or after December 15, 2011. Early adoption is not permitted. Synovus is currently evaluating the impact of adopting ASU 2011-04 on its financial position and results of operations but has not yet completed its assessment.

Effective June 16, 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The main provisions of this ASU provide the option to present comprehensive income in either one or two consecutive financial statements. A single statement presentation must include the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income. In a two-statement approach, the components of net income and total net income are presented in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The option in current GAAP that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The amendments of this ASU will be applied retrospectively by Synovus and are

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effective for the first interim period beginning on or after December 31, 2011. Early adoption is permitted. The impact of adoption for Synovus will be a change in the format of presentation of comprehensive income. Synovus has not yet determined whether it will use a single statement or a two statement approach.

Reclassifications

Prior period 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 balance sheet date and through the date the accompanying unaudited consolidated financial statements were issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

Note 2 - Restructuring Charges

In January 2011, Synovus announced efficiency and growth initiatives intended to streamline operations, boost productivity, reduce expenses and increase revenue. During the first quarter of 2011, Synovus recognized restructuring charges of \$24.3 million associated with these initiatives. During the second quarter of 2011, Synovus incurred additional restructuring charges of \$3.1 million (\$1.7 million of severance charges and \$1.4 million of professional fees and other charges). For the six months ended June 30, 2011, total restructuring charges are as follows:

(in thousands)

Severance charges	\$ 16,310
Lease termination charges	3,107
Asset impairment charges	5,437
Professional fees and other charges	2,585
Total restructuring charges	\$ 27,439

As part of these efficiency and growth initiatives, Synovus closed 31 branches during the six months ended June 30, 2011 and transferred \$16.3 million of premises and equipment, net of asset impairment charges, to other assets held for sale, a component of other assets on the consolidated statements of financial position. During the six months ended June 30, 2011, Synovus recognized impairment charges of \$5.4 million upon transfer to other assets held for sale.

The liability for restructuring activities was \$6.3 million at June 30, 2011, which includes estimated severance payments and lease termination payments. Cash payments associated with this liability are expected to occur over the next six months.

The liability for severance charges was recognized in accordance with the one-time employee termination benefit provisions of ASC 420-10-25 upon management's commitment to a plan identifying the number of employees to be terminated, the terms of the benefit arrangement, and upon communication of this information to the employees to be terminated. While recognition of restructuring charges is triggered by communication of the plan and benefit information to affected employees, the timing of recognition depends on whether an employee is required to render further service in order to receive the termination benefits. For employees who are not required to render further service in order to receive termination benefits, or who are not required to render service beyond a minimum retention period of 60 days, a liability is recognized on the

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date of communication to affected employees. For employees who are required to work beyond the minimum retention period in order to receive termination benefits, the fair value of termination benefits at the communication date is recognized ratably over the future service period.

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Restructuring charges resulting from the impairment of long-lived assets were recognized in accordance with ASC 360-10-35 upon a significant adverse change in the extent or manner in which a long-lived asset is being used (removed from service), or upon management's commitment to a plan to sell an asset, and the asset is available for immediate sale, an active program to locate a buyer has been identified, the sale is probable, the asset is being marketed for a price that is reasonable in relation to its current fair value, and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Restructuring charges resulting from lease termination expenses were recognized in accordance with ASC 840-20 and ASC 840-30 upon notifying the lessor of Synovus' intent to terminate a lease.

Note 3 Comprehensive Income (Loss)

Other comprehensive income consists of the change in net unrealized losses on cash flow hedges, the change in net unrealized gains (losses) on investment securities available for sale, and the amortization of the post-retirement unfunded health benefit. Comprehensive loss consists of net loss plus other comprehensive income.

Comprehensive income (loss) for the six and three months ended June 30, 2011 and 2010 is presented below.

<i>(in thousands)</i>	Six Months Ended June 30,		Three Months Ended June 30,	
	2011	2010	2011	2010
Net loss	\$ (118,408)	(444,257)	(39,000)	(228,575)
Other comprehensive income or loss, net of tax:				
Change in net unrealized gains/losses on cash flow hedges	(4,360)	(6,580)	(455)	(1,661)
Change in net unrealized gains/losses on investment securities available for sale, net of reclassification adjustment	13,107	23,575	26,211	22,786
Amortization of post-retirement unfunded health benefit		(728)		(774)
Other comprehensive income	8,747	16,267	25,756	20,351
Comprehensive loss	\$ (109,661)	(427,990)	(13,244)	(208,224)

Note 4 Investment Securities

The following table summarizes Synovus' available for sale investment securities as of June 30, 2011 and December 31, 2010.

<i>(in thousands)</i>	June 30, 2011		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses