

SYNOVUS FINANCIAL CORP
Form 10-Q
August 03, 2016
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, 2016
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
(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 Purchase Rights | New York Stock Exchange |
| Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C | New York Stock Exchange |
| | 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

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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, 2016 |
|--------------------------------|---------------|
| Common Stock, \$1.00 Par Value | 122,932,237 |

Table of Contents

Table of Contents

| | Page |
|--|------|
| <u>Part I.</u> Financial Information | |
| Index of Defined Terms | i |
| Item 1. Financial Statements (Unaudited) | |
| Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 | 1 |
| Consolidated Statements of Income for the Six and Three Months Ended June 30, 2016 and 2015 | 2 |
| Consolidated Statements of Comprehensive Income for the Six and Three Months Ended June 30, 2016 and 2015 | 3 |
| Consolidated Statements of Changes in Shareholders' Equity for the Six Months Ended June 30, 2016 and 2015 | 4 |
| Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015 | 5 |
| Notes to Unaudited Interim Consolidated Financial | 7 |

| | | |
|---------|---|-----------|
| | Statements Management's Discussion and Analysis of | |
| Item 2. | Financial | <u>43</u> |
| | Condition and Results of Operations | |
| | <u>Quantitative and Qualitative</u> | |
| Item 3. | <u>Disclosures</u> | <u>71</u> |
| | <u>About Market Risk</u> | |
| Item 4. | Controls and Procedures | <u>71</u> |

Part II. Other Information

| | | |
|------------|-----------------------------------|-----------|
| Item 1. | Legal Proceedings | <u>72</u> |
| Item 1A. | Risk Factors | <u>72</u> |
| | Unregistered | |
| Item 2. | Sales of Equity Securities and | <u>72</u> |
| | Use of Proceeds | |
| | Defaults Upon | |
| Item 3. | Senior Securities | <u>73</u> |
| Item 4. | Mine Safety Disclosures | <u>73</u> |
| Item 5. | Other Information | <u>73</u> |
| Item 6. | Exhibits | <u>74</u> |
| Signatures | | <u>75</u> |

Table of Contents

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

BOLI – Bank-Owned Life Insurance

BOV – Broker's opinion of value

bp – Basis point (bps - basis points)

C&I – Commercial and industrial loans

CCC – Central clearing counterparty

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

CMO – Collateralized Mortgage Obligation

Code – Internal Revenue Code of 1986, as amended

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

DIF – Deposit Insurance Fund

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

EVE – economic value of equity

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, 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

LIBOR – London Interbank Offered Rate

LTV – Loan-to-collateral value ratio

NAICS – North American Industry Classification System

Table of Contents

nm – not meaningful

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.

Rights Plan – Synovus' Shareholder Rights Plan dated April 26, 2010, as amended

SBA – Small Business Administration

SCM – State, county, and municipal

SEC – U.S. Securities and Exchange Commission

Securities Act – Securities Act of 1933, as amended

Series 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 and wholly-owned subsidiary of Synovus through which Synovus conducts its banking operations

Synovus' 2015 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2015

Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank

Synovus Trust – 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, as was issued by Synovus to Treasury in 2008 in connection with the Capital Purchase Program, promulgated under the Emergency Stabilization Act of 2008

Table of Contents

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

| (in thousands, except share and per share data) | June 30, 2016 | December 31, 2015 |
|--|---------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$377,334 | 367,092 |
| Interest bearing funds with Federal Reserve Bank | 904,406 | 829,887 |
| Interest earning deposits with banks | 24,541 | 17,387 |
| Federal funds sold and securities purchased under resale agreements | 77,685 | 69,819 |
| Trading account assets, at fair value | 1,001 | 5,097 |
| Mortgage loans held for sale, at fair value | 87,824 | 59,275 |
| Investment securities available for sale, at fair value | 3,580,359 | 3,587,818 |
| Loans, net of deferred fees and costs | 23,060,908 | 22,429,565 |
| Allowance for loan losses | (255,076) | (252,496) |
| Loans, net | \$22,805,832 | 22,177,069 |
| Premises and equipment, net | 424,967 | 445,155 |
| Goodwill | 24,431 | 24,431 |
| Other real estate | 33,289 | 47,030 |
| Deferred tax asset, net | 425,160 | 511,948 |
| Other assets | 692,862 | 650,645 |
| Total assets | \$29,459,691 | 28,792,653 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Deposits: | | |
| Non-interest bearing deposits | \$6,934,443 | 6,732,970 |
| Interest bearing deposits, excluding brokered deposits | 15,495,318 | 15,434,171 |
| Brokered deposits | 1,496,161 | 1,075,520 |
| Total deposits | 23,925,922 | 23,242,661 |
| Federal funds purchased and securities sold under repurchase agreements | 247,179 | 177,025 |
| Long-term debt | 2,135,892 | 2,186,893 |
| Other liabilities | 199,039 | 185,878 |
| Total liabilities | \$26,508,032 | 25,792,457 |
| Shareholders' Equity | | |
| Series C Preferred Stock – no par value. Authorized 100,000,000 shares; 5,200,000 shares issued and outstanding at June 30, 2016 and December 31, 2015 | 125,980 | 125,980 |
| Common stock - \$1.00 par value. Authorized 342,857,143 shares; 141,007,636 issued at June 30, 2016 and 140,592,409 issued at December 31, 2015; 124,047,659 outstanding at June 30, 2016 and 129,547,032 outstanding at December 31, 2015 | 141,008 | 140,592 |
| Additional paid-in capital | 2,993,985 | 2,989,981 |
| Treasury stock, at cost – 16,959,977 shares at June 30, 2016 and 11,045,377 shares at December 31, 2015 | (573,058) | (401,511) |
| Accumulated other comprehensive gain (loss) | 11,005 | (29,819) |
| Retained earnings | 252,739 | 174,973 |
| Total shareholders' equity | 2,951,659 | 3,000,196 |
| Total liabilities and shareholders' equity | \$29,459,691 | 28,792,653 |

See accompanying notes to unaudited interim consolidated financial statements.

1

Table of ContentsSYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

| (in thousands, except per share data) | Six Months Ended | | Three Months | |
|---|------------------|---------|------------------------|---------|
| | June 30, 2016 | 2015 | Ended June 30, 2016 | 2015 |
| Interest income: | | | | |
| Loans, including fees | \$462,892 | 432,026 | \$232,974 | 216,756 |
| Investment securities available for sale | 33,655 | 28,117 | 16,685 | 14,175 |
| Trading account assets | 34 | 224 | 12 | 117 |
| Mortgage loans held for sale | 1,238 | 1,397 | 650 | 766 |
| Federal Reserve Bank balances | 2,019 | 1,592 | 1,020 | 947 |
| Other earning assets | 1,878 | 1,698 | 1,052 | 893 |
| Total interest income | 501,716 | 465,054 | 252,393 | 233,654 |
| Interest expense: | | | | |
| Deposits | 32,214 | 31,631 | 16,200 | 16,813 |
| Federal funds purchased and securities sold under repurchase agreements | 96 | 89 | 51 | 46 |
| Long-term debt | 29,763 | 26,427 | 14,693 | 13,151 |
| Total interest expense | 62,073 | 58,147 | 30,944 | 30,010 |
| Net interest income | 439,643 | 406,907 | 221,449 | 203,644 |
| Provision for loan losses | 16,070 | 11,034 | 6,693 | 6,636 |
| Net interest income after provision for loan losses | 423,573 | 395,873 | 214,756 | 197,008 |
| Non-interest income: | | | | |
| Service charges on deposit accounts | 39,950 | 38,928 | 20,240 | 19,795 |
| Fiduciary and asset management fees | 22,854 | 23,414 | 11,580 | 11,843 |
| Brokerage revenue | 13,821 | 14,032 | 7,338 | 6,782 |
| Mortgage banking income | 11,425 | 13,995 | 5,941 | 7,511 |
| Bankcard fees | 16,718 | 16,576 | 8,346 | 8,499 |
| Investment securities gains, net | 67 | 2,710 | — | 1,985 |
| Other fee income | 10,084 | 9,851 | 5,280 | 4,605 |
| Other non-interest income | 16,114 | 15,181 | 9,161 | 7,812 |
| Total non-interest income | 131,033 | 134,687 | 67,886 | 68,832 |
| Non-interest expense: | | | | |
| Salaries and other personnel expense | 198,419 | 191,054 | 97,061 | 94,565 |
| Net occupancy and equipment expense | 53,360 | 52,713 | 26,783 | 26,541 |
| Third-party processing expense | 22,814 | 21,015 | 11,698 | 10,672 |
| FDIC insurance and other regulatory fees | 13,344 | 13,725 | 6,625 | 6,767 |
| Professional fees | 13,307 | 12,011 | 6,938 | 6,417 |
| Advertising expense | 9,761 | 6,309 | 7,351 | 2,865 |
| Foreclosed real estate expense, net | 7,272 | 13,847 | 4,588 | 4,351 |
| Loss on early extinguishment of debt | 4,735 | — | — | — |
| Restructuring charges, net | 6,981 | (102) | 5,841 | 5 |
| Other operating expenses | 46,851 | 46,141 | 21,726 | 25,623 |
| Total non-interest expense | 376,844 | 356,713 | 188,611 | 177,806 |
| Income before income taxes | 177,762 | 173,847 | 94,031 | 88,034 |
| Income tax expense | 64,773 | 64,091 | 33,574 | 32,242 |
| Net income | 112,989 | 109,756 | 60,457 | 55,792 |
| Dividends on preferred stock | 5,119 | 5,119 | 2,559 | 2,559 |
| Net income available to common shareholders | \$107,870 | 104,637 | \$57,898 | 53,233 |

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| | | | | |
|---|---------|---------|---------|---------|
| Net income per common share, basic | \$0.85 | 0.78 | \$0.46 | 0.40 |
| Net income per common share, diluted | 0.85 | 0.78 | 0.46 | 0.40 |
| Weighted average common shares outstanding, basic | 126,164 | 133,935 | 125,100 | 132,947 |
| Weighted average common shares outstanding, diluted | 126,778 | 134,678 | 125,699 | 133,625 |

See accompanying notes to unaudited interim consolidated financial statements.

2

Table of ContentsSYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

| (in thousands) | Six Months Ended June 30, | | | | | |
|--|---------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-------------------------|
| | 2016 | | | 2015 | | |
| | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount |
| Net income | 177,762 | (64,773) | 112,989 | 173,847 | (64,091) | 109,756 |
| Net change related to cash flow hedges: | | | | | | |
| Reclassification adjustment for losses realized in net income | 337 | (130) | 207 | 224 | (87) | 137 |
| Net unrealized gains (losses) on investment securities available for sale: | | | | | | |
| Reclassification adjustment for net gains realized in net income | (67) | 26 | (41) | (2,710) | 1,043 | (1,667) |
| Net unrealized gains (losses) arising during the period | 66,215 | (25,493) | 40,722 | (13,467) | 5,188 | (8,279) |
| Net unrealized gains (losses) | 66,148 | (25,467) | 40,681 | (16,177) | 6,231 | (9,946) |
| Post-retirement unfunded health benefit: | | | | | | |
| Reclassification adjustment for gains realized in net income | (104) | 40 | (64) | (84) | 32 | (52) |
| Actuarial gains arising during the period | — | — | — | 236 | (93) | 143 |
| Net unrealized (realized) gains | \$(104) | 40 | (64) | 152 | (61) | 91 |
| Other comprehensive income (loss) | \$66,381 | (25,557) | 40,824 | (15,801) | 6,083 | (9,718) |
| Comprehensive income | | | \$153,813 | | | 100,038 |

See accompanying notes to unaudited interim consolidated financial statements.

| (in thousands) | Three Months Ended June 30, | | | | | |
|--|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-------------------------|
| | 2016 | | | 2015 | | |
| | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount |
| Net income | 94,031 | (33,574) | 60,457 | 88,034 | (32,242) | 55,792 |
| Net change related to cash flow hedges: | | | | | | |
| Reclassification adjustment for losses realized in net income | 64 | (25) | 39 | 112 | (44) | 68 |
| Net unrealized gains (losses) on investment securities available for sale: | | | | | | |
| Reclassification adjustment for net gains realized in net income | — | — | — | (1,985) | 764 | (1,221) |
| Net unrealized gains (losses) arising during the period | 19,044 | (7,332) | 11,712 | (28,678) | 11,042 | (17,636) |
| Net unrealized gains (losses) | 19,044 | (7,332) | 11,712 | (30,663) | 11,806 | (18,857) |
| Post-retirement unfunded health benefit: | | | | | | |
| Reclassification adjustment for gains realized in net income | (10) | 4 | (6) | (42) | 16 | (26) |
| Actuarial gains arising during the period | — | — | — | 236 | (93) | 143 |

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| | | | |
|-----------------------------------|-------------------|-----------------|-----------------|
| Net unrealized (realized) gains | \$(10) 4 | (6) 194 | (77) 117 |
| Other comprehensive income (loss) | \$19,098 (7,353) | 11,745 (30,357) | 11,685 (18,672) |
| Comprehensive income | | \$72,202 | 37,120 |

See accompanying notes to unaudited interim consolidated financial statements.

3

Table of Contents

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 | Total |
|--|--------------------------------|-----------------|----------------------------------|-------------------|---|----------------------|------------|
| 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 loss, 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 |
| Balance at December 31, 2015 | \$ 125,980 | 140,592 | 2,989,981 | (401,511) | (29,819) | 174,973 | 3,000,196 |
| Net income | — | — | — | — | — | 112,989 | 112,989 |
| Other comprehensive income, net of income taxes | — | — | — | — | 40,824 | — | 40,824 |
| Cash dividends declared on common stock - \$0.24 per share | — | — | — | — | — | (30,015) | (30,015) |
| Cash dividends paid on Series C Preferred Stock | — | — | — | — | — | (5,119) | (5,119) |
| Repurchases of common stock | — | — | — | (171,547) | — | — | (171,547) |
| Restricted share unit activity | — | 298 | (4,814) | — | — | (89) | (4,605) |
| Stock options exercised | — | 118 | 1,917 | — | — | — | 2,035 |
| Share-based compensation net tax benefit | — | — | 52 | — | — | — | 52 |
| Share-based compensation expense | — | — | 6,849 | — | — | — | 6,849 |
| Balance at June 30, 2016 | \$ 125,980 | \$ 141,008 | 2,993,985 | (573,058) | 11,005 | 252,739 | 2,951,659 |

See accompanying notes to unaudited interim consolidated financial statements.

Table of ContentsSYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | Six Months Ended June 30, | |
|--|------------------------------|-------------|
| (in thousands) | 2016 | 2015 |
| Operating Activities | | |
| Net income | 112,989 | 109,756 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 16,070 | 11,034 |
| Depreciation, amortization, and accretion, net | 28,506 | 28,169 |
| Deferred income tax expense | 61,283 | 58,302 |
| Decrease in trading account assets | 4,096 | 1,891 |
| Originations of mortgage loans held for sale | (320,304) | (454,708) |
| Proceeds from sales of mortgage loans held for sale | 299,186 | 426,430 |
| Gain on sales of mortgage loans held for sale, net | (6,946) | (8,988) |
| Increase in other assets | (32,874) | (36,398) |
| Increase (decrease) in other liabilities | 13,162 | (34,914) |
| Investment securities gains, net | (67) | (2,710) |
| Losses and write-downs on other real estate, net | 6,089 | 11,066 |
| Losses and write-downs on other assets held for sale, net | 7,902 | — |
| Loss on early extinguishment of debt | 4,735 | — |
| Share-based compensation expense | 6,849 | 6,271 |
| Net cash provided by operating activities | \$200,676 | 115,201 |
| Investing Activities | | |
| Net increase in interest earning deposits with banks | (7,154) | (6,884) |
| Net (increase) decrease in federal funds sold and securities purchased under resale agreements | (7,866) | 623 |
| Net increase in interest bearing funds with Federal Reserve Bank | (74,519) | (567,843) |
| Proceeds from maturities and principal collections of investment securities available for sale | 443,128 | 314,239 |
| Proceeds from sales of investment securities available for sale | 243,609 | 82,156 |
| Purchases of investment securities available for sale | (623,046) | (686,074) |
| Proceeds from sales of loans and principal repayments on other loans held for sale | 7,739 | 21,866 |
| Proceeds from sales of other real estate | 16,282 | 19,348 |
| Net increase in loans | (660,778) | (445,124) |
| Net increase in premises and equipment | (16,769) | (8,805) |
| Proceeds from sales of other assets held for sale | 296 | 351 |
| Net cash used in investing activities | \$(679,078) | (1,276,147) |
| Financing Activities | | |
| Net increase in demand and savings deposits | 595,342 | 1,039,670 |
| Net increase in certificates of deposit | 87,466 | 77,813 |
| Net increase in federal funds purchased and securities sold under repurchase agreements | 70,154 | 61,369 |
| Repayments on long-term debt | (1,455,067) | (425,078) |
| Proceeds from issuance of long-term debt | 1,400,000 | 425,000 |
| Dividends paid to common shareholders | (30,015) | (26,664) |
| Dividends paid to preferred shareholders | (5,119) | (5,119) |
| Stock options exercised | 2,035 | 3,271 |
| Repurchases of common stock | (171,547) | (109,570) |

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| | | |
|--|-----------|------------|
| Restricted stock activity | (4,605) | (4,403) |
| Net cash provided by financing activities | \$488,644 | 1,036,289 |
| Increase (decrease) in cash and cash equivalents | 10,242 | (124,657) |
| Cash and cash equivalents at beginning of period | 367,092 | 485,489 |
| Cash and cash equivalents at end of period | \$377,334 | 360,832 |

Table of Contents

Supplemental Cash Flow Information

Cash paid during the period for:

| | | |
|--------------------------|--------|--------|
| Income tax payments, net | 5,849 | 8,751 |
| Interest paid | 64,424 | 55,747 |

Non-cash Activities

| | | |
|---|--------|--------|
| Premises and equipment transferred to other assets held for sale | 18,677 | 939 |
| Loans foreclosed and transferred to other real estate | 8,631 | 11,391 |
| Loans transferred to other loans held for sale at fair value | 7,314 | 19,459 |
| Securities purchased during the period but settled after period-end | — | 47,159 |

See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents

Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

The accompanying unaudited interim consolidated financial statements of Synovus Financial Corp. include the accounts of the Parent Company and its consolidated subsidiaries. Synovus Financial Corp. is a financial services company based in Columbus, Georgia. Through its wholly-owned subsidiary, Synovus Bank, member FDIC, the company provides commercial and retail banking in addition to a full suite of specialized products and services including private banking, treasury management, wealth management, and international banking. Synovus also provides mortgage services, financial planning, and investment advisory services through its wholly-owned subsidiaries, Synovus Mortgage, Synovus Trust, and Synovus Securities, as well as its GLOBALT and Creative Financial Group divisions. These specialized offerings, combined with traditional banking products and services, make Synovus Bank a great choice for retail and commercial customers.

Synovus Bank's 28 locally-branded bank divisions are positioned in some of the best markets in the Southeast, with 253 branches and 335 ATMs in Georgia, Alabama, South Carolina, Florida, and Tennessee.

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' 2015 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2015 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 fair value of investment securities, the fair value of private equity investments, 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, 2016, there were no cash and cash equivalents restricted as to withdrawal. At December 31, 2015, \$100 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, 2016 and December 31, 2015, interest bearing funds with the Federal Reserve Bank included \$132.5 million and \$117.3 million, respectively, on deposit to meet Federal Reserve Bank requirements. Interest earning deposits with banks include \$5.5 million and \$2.2 million at June 30, 2016 and December 31, 2015, respectively, which are pledged as collateral in connection with certain letters of credit. Federal funds sold include \$75.2 million and \$65.9 million at June 30, 2016 and December 31, 2015, respectively, which are pledged to collateralize certain derivative financial 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 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which became effective for Synovus on January 1, 2016. ASU 2015-02 was issued by the FASB to modify the analysis that companies must perform in order to determine whether a legal entity should be consolidated. ASU 2015-02 simplifies current consolidation rules by reducing the number of consolidation models; placing more emphasis on risk of loss when determining a controlling financial interest; reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a VIE; and changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. Adoption of ASU 2015-02 did not have an impact on Synovus' consolidated financial statements.

Table of Contents

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

During the third quarter of 2015, Synovus' Board of Directors authorized a \$300 million share repurchase program to be completed over the next 15 months. As of June 30, 2016, Synovus had repurchased a total of \$208.5 million or 7.1 million shares under the \$300 million share repurchase program. Share repurchases under the program by quarter are as follows: second quarter of 2016 - \$60.5 million (2.0 million shares), first quarter of 2016 - \$110.9 million (3.9 million shares), and fourth quarter of 2015 - \$37.1 million (1.2 million shares). At June 30, 2016, the remaining authorization under this program was \$91.5 million.

Table of Contents

Note 3 - Investment Securities

The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities available for sale at June 30, 2016 and December 31, 2015 are summarized below.

| | June 30, 2016 | | | |
|---|-------------------|------------------------|-------------------------|------------|
| (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | \$73,741 | 1,082 | — | 74,823 |
| U.S. Government agency securities | 13,006 | 443 | — | 13,449 |
| Securities issued by U.S. Government sponsored enterprises | 50,063 | 54 | — | 50,117 |
| Mortgage-backed securities issued by U.S. Government agencies | 189,281 | 3,583 | (81) | 192,783 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 2,544,204 | 37,817 | (352) | 2,581,669 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | 625,458 | 10,298 | (142) | 635,614 |
| State and municipal securities | 3,000 | 47 | (1) | 3,046 |
| Equity securities | 3,228 | 5,503 | — | 8,731 |
| Other investments | 20,210 | 333 | (416) | 20,127 |
| Total investment securities available for sale | \$3,522,191 | 59,160 | (992) | 3,580,359 |
| | December 31, 2015 | | | |
| (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | \$43,125 | 232 | — | 43,357 |
| U.S. Government agency securities | 13,087 | 536 | — | 13,623 |
| Securities issued by U.S. Government sponsored enterprises | 126,520 | 389 | — | 126,909 |
| Mortgage-backed securities issued by U.S. Government agencies | 209,785 | 1,340 | (1,121) | 210,004 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 2,645,107 | 7,874 | (22,562) | 2,630,419 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | 530,426 | 2,396 | (3,225) | 529,597 |
| State and municipal securities | 4,343 | 92 | (1) | 4,434 |
| Equity securities | 3,228 | 6,444 | — | 9,672 |
| Other investments | 20,177 | — | (374) | 19,803 |
| Total investment securities available for sale | \$3,595,798 | 19,303 | (27,283) | 3,587,818 |

At June 30, 2016 and December 31, 2015, investment securities with a carrying value of \$2.19 billion and \$2.43 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, 2016 and December 31, 2015 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.

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

Table of Contents

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, 2016, Synovus had five investment securities in a loss position for less than twelve months and eight 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, 2016 and December 31, 2015, are presented below.

| (in thousands) | June 30, 2016 | | | | | |
|---|---------------------|-------------------------|---------------------|-------------------------|------------|-------------------------|
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Mortgage-backed securities issued by U.S. Government agencies | — | — | 9,785 | 81 | 9,785 | 81 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 170,365 | 352 | — | — | 170,365 | 352 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | — | — | 27,827 | 142 | 27,827 | 142 |
| State and municipal securities | — | — | 53 | 1 | 53 | 1 |
| Other investments | — | — | 4,794 | 416 | 4,794 | 416 |
| Total | \$ 170,365 | 352 | 42,459 | 640 | 212,824 | 992 |
| | December 31, 2015 | | | | | |
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| (in thousands) | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Mortgage-backed securities issued by U.S. Government agencies | 122,626 | 639 | 18,435 | 482 | 141,061 | 1,121 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 1,656,194 | 12,874 | 489,971 | 9,688 | 2,146,165 | 22,562 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | 196,811 | 963 | 72,366 | 2,262 | 269,177 | 3,225 |
| State and municipal securities | — | — | 50 | 1 | 50 | 1 |
| Other investments | 14,985 | 15 | 4,818 | 359 | 19,803 | 374 |
| Total | \$ 1,990,616 | 14,491 | 585,640 | 12,792 | 2,576,256 | 27,283 |

Table of Contents

The amortized cost and fair value by contractual maturity of investment securities available for sale at June 30, 2016 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, 2016 | | | | | 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 | \$18,758 | 54,983 | — | — | — | 73,741 |
| U.S. Government agency securities | — | 6,613 | 6,393 | — | — | 13,006 |
| Securities issued by U.S. Government sponsored enterprises | 50,063 | — | — | — | — | 50,063 |
| Mortgage-backed securities issued by U.S. Government agencies | — | — | 16,261 | 173,020 | — | 189,281 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | — | 454 | 1,254,247 | 1,289,503 | — | 2,544,204 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | — | — | — | 625,458 | — | 625,458 |
| State and municipal securities | 184 | 350 | — | 2,466 | — | 3,000 |
| Equity securities | — | — | — | — | 3,228 | 3,228 |
| Other investments | — | — | 15,000 | 2,000 | 3,210 | 20,210 |
| Total amortized cost | \$69,005 | 62,400 | 1,291,901 | 2,092,447 | 6,438 | 3,522,191 |
| Fair Value | | | | | | |
| U.S. Treasury securities | \$18,758 | 56,065 | — | — | — | 74,823 |
| U.S. Government agency securities | — | 6,800 | 6,649 | — | — | 13,449 |
| Securities issued by U.S. Government sponsored enterprises | 50,117 | — | — | — | — | 50,117 |
| Mortgage-backed securities issued by U.S. Government agencies | — | — | 16,653 | 176,130 | — | 192,783 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | — | 469 | 1,269,397 | 1,311,803 | — | 2,581,669 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | — | — | — | 635,614 | — | 635,614 |
| State and municipal securities | 184 | 350 | — | 2,512 | — | 3,046 |
| Equity securities | — | — | — | — | 8,731 | 8,731 |
| Other investments | — | — | 15,333 | 1,625 | 3,169 | 20,127 |
| Total fair value | \$69,059 | 63,684 | 1,308,032 | 2,127,684 | 11,900 | 3,580,359 |

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale for the six and three months ended June 30, 2016 and 2015 are presented below. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale.

| (in thousands) | Six Months Ended | Three |
|----------------|------------------|--------------|
| | June 30, | Months Ended |
| | 2016 | June 30, |
| | 2015 | 2015 |

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| | | | |
|---|-----------|--------|-----------|
| Proceeds from sales of investment securities available for sale | \$243,609 | 82,156 | \$-49,737 |
| Gross realized gains | 954 | 2,710 | -1,985 |
| Gross realized losses | (887 |) — | — |
| Investment securities gains, net | \$67 | 2,710 | \$-1,985 |

11

Table of Contents

Note 4 - Restructuring Charges

For the six and three months ended June 30, 2016 and 2015, total restructuring charges consist of the following components:

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|--|---------------------------------|-------|-----------------------------------|------|
| (in thousands) | 2016 | 2015 | 2016 | 2015 |
| Lease termination charges | \$31 | (4) | \$(13) | (4) |
| Asset impairment charges | 6,866 | — | 5,821 | — |
| Loss (gain) on sale of assets held for sale, net | 13 | (157) | 13 | — |
| Professional fees and other charges | 71 | 59 | 20 | 9 |
| Total restructuring charges, net | \$6,981 | (102) | \$5,841 | 5 |

For the three months ended June 30, 2016, Synovus recorded restructuring charges of \$5.8 million with \$4.8 million of these charges related to Synovus' continued corporate real estate optimization activities. Synovus continues to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and identified during the second quarter three branch closures to be completed by year-end, which will be in addition to the four branches closed earlier this year. Restructuring charges associated with branch closures identified during 2016 totaled \$1.0 million and \$1.1 million during the second and first quarter of 2016, respectively. After these closures, the branch network will consist of 250 locations by year-end, which will represent a 22.6% reduction from year-end 2010.

During the six months ended June 30, 2015, Synovus recorded net gains of \$157 thousand on the sale of certain branch locations.

The following tables present aggregate activity within the accrual for restructuring charges for the six and three months ended June 30, 2016 and 2015:

| (in thousands) | Severance Charges | Lease Termination Charges | Total |
|-------------------------------------|----------------------|---------------------------------|---------|
| Balance at December 31, 2015 | \$ 1,930 | 4,687 | 6,617 |
| Accruals for efficiency initiatives | — | 31 | 31 |
| Payments | (1,337) | (343) | (1,680) |
| Balance at June 30, 2016 | \$ 593 | 4,375 | 4,968 |

| | | | |
|-------------------------------------|--------|--------|---------|
| Balance at April 1, 2016 | 1,533 | 4,545 | 6,078 |
| Accruals for efficiency initiatives | — | (13) | (13) |
| Payments | (940) | (157) | (1,097) |
| Balance at June 30, 2016 | \$ 593 | 4,375 | 4,968 |

| (in thousands) | Severance Charges | Lease Termination Charges | Total |
|-------------------------------------|----------------------|---------------------------------|---------|
| Balance at December 31, 2014 | \$ 3,291 | 5,539 | 8,830 |
| Accruals for efficiency initiatives | — | (4) | (4) |
| Payments | (1,038) | (411) | (1,449) |
| Balance at June 30, 2015 | \$ 2,253 | 5,124 | 7,377 |

| | | | |
|-------------------------------------|--------|--------|--------|
| Balance at April 1, 2015 | 2,770 | 5,318 | 8,088 |
| Accruals for efficiency initiatives | — | (4) | (4) |
| Payments | (517) | (190) | (707) |

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| | | | |
|--------------------------|----------|-------|-------|
| Balance at June 30, 2015 | \$ 2,253 | 5,124 | 7,377 |
|--------------------------|----------|-------|-------|

All professional fees and other charges were paid in the quarters that they were incurred. No other restructuring charges resulted in payment accruals.

12

Table of Contents

Note 5 - 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, 2016 and December 31, 2015.

Current, Accruing Past Due, and Non-accrual Loans

| June 30, 2016 | | | | | | |
|--|--------------|---------------------------------------|--|-------------------------------|-------------|---------------------------|
| (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 | \$5,901,061 | 5,451 | — | 5,451 | 14,149 | 5,920,661 |
| 1-4 family properties | 1,106,507 | 3,270 | 134 | 3,404 | 17,869 | 1,127,780 |
| Land acquisition | 448,740 | 2,698 | 206 | 2,904 | 7,610 | 459,254 |
| Total commercial real estate | 7,456,308 | 11,419 | 340 | 11,759 | 39,628 | 7,507,695 |
| Commercial, financial and agricultural | 6,526,947 | 10,025 | 4,042 | 14,067 | 55,821 | 6,596,835 |
| Owner-occupied | 4,331,804 | 9,673 | — | 9,673 | 17,118 | 4,358,595 |
| Total commercial and industrial | 10,858,751 | 19,698 | 4,042 | 23,740 | 72,939 | 10,955,430 |
| Home equity lines | 1,633,322 | 6,604 | 271 | 6,875 | 16,912 | 1,657,109 |
| Consumer mortgages | 2,103,106 | 7,113 | — | 7,113 | 21,895 | 2,132,114 |
| Credit cards | 233,118 | 1,610 | 1,306 | 2,916 | — | 236,034 |
| Other retail loans | 594,142 | 3,308 | 5 | 3,313 | 2,698 | 600,153 |
| Total retail | 4,563,688 | 18,635 | 1,582 | 20,217 | 41,505 | 4,625,410 |
| Total loans | \$22,878,747 | 49,752 | 5,964 | 55,716 | 154,072 | 23,088,535 ⁽¹⁾ |
| December 31, 2015 | | | | | | |
| (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 | \$5,726,307 | 2,284 | — | 2,284 | 23,040 | 5,751,631 |
| 1-4 family properties | 1,105,914 | 6,300 | 103 | 6,403 | 16,839 | 1,129,156 |
| Land acquisition | 495,542 | 639 | 32 | 671 | 17,768 | 513,981 |
| Total commercial real estate | 7,327,763 | 9,223 | 135 | 9,358 | 57,647 | 7,394,768 |
| Commercial, financial and agricultural | 6,391,036 | 12,222 | 785 | 13,007 | 49,137 | 6,453,180 |
| Owner-occupied | 4,293,308 | 5,254 | 95 | 5,349 | 20,293 | 4,318,950 |
| Total commercial and industrial | 10,684,344 | 17,476 | 880 | 18,356 | 69,430 | 10,772,130 |
| Home equity lines | 1,667,552 | 5,882 | — | 5,882 | 16,480 | 1,689,914 |
| Consumer mortgages | 1,907,644 | 8,657 | 134 | 8,791 | 22,248 | 1,938,683 |
| Credit cards | 237,742 | 1,663 | 1,446 | 3,109 | — | 240,851 |
| Other retail loans | 418,337 | 2,390 | 26 | 2,416 | 2,565 | 423,318 |
| Total retail | 4,231,275 | 18,592 | 1,606 | 20,198 | 41,293 | 4,292,766 |
| Total loans | \$22,243,382 | 45,291 | 2,621 | 47,912 | 168,370 | 22,459,664 ⁽²⁾ |

⁽¹⁾ Total before net deferred fees and costs of \$27.6 million.

⁽²⁾ Total before net deferred fees and costs of \$30.1 million.

Table of Contents

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 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.

Table of Contents

Loan Portfolio Credit Exposure by Risk Grade

| June 30, 2016 | | | | | | |
|--|--------------|--------------------|----------------------------|-------------------------|----------------------|---------------------------|
| (in thousands) | Pass | Special Mention | Substandard ⁽¹⁾ | Doubtful ⁽²⁾ | Loss | Total |
| Investment properties | \$5,788,229 | 86,101 | 46,331 | — | — | 5,920,661 |
| 1-4 family properties | 1,009,820 | 51,938 | 58,789 | 7,233 | — | 1,127,780 |
| Land acquisition | 387,082 | 52,062 | 19,784 | 326 | — | 459,254 |
| Total commercial real estate | 7,185,131 | 190,101 | 124,904 | 7,559 | — | 7,507,695 |
| Commercial, financial and agricultural | 6,317,597 | 163,494 | 105,107 | 10,400 | 237 ⁽³⁾ | 6,596,835 |
| Owner-occupied | 4,160,662 | 81,636 | 114,409 | 1,420 | 468 ⁽³⁾ | 4,358,595 |
| Total commercial and industrial | 10,478,259 | 245,130 | 219,516 | 11,820 | 705 | 10,955,430 |
| Home equity lines | 1,632,841 | — | 21,808 | 1,201 | 1,259 ⁽³⁾ | 1,657,109 |
| Consumer mortgages | 2,102,767 | — | 27,808 | 1,372 | 167 ⁽³⁾ | 2,132,114 |
| Credit cards | 234,728 | — | 533 | — | 773 ⁽⁴⁾ | 236,034 |
| Other retail loans | 595,455 | — | 4,620 | — | 78 ⁽³⁾ | 600,153 |
| Total retail | 4,565,791 | — | 54,769 | 2,573 | 2,277 | 4,625,410 |
| Total loans | \$22,229,181 | 435,231 | 399,189 | 21,952 | 2,982 | 23,088,535 ⁽⁵⁾ |

| December 31, 2015 | | | | | | |
|--|--------------|--------------------|----------------------------|-------------------------|----------------------|---------------------------|
| (in thousands) | Pass | Special Mention | Substandard ⁽¹⁾ | Doubtful ⁽²⁾ | Loss | Total |
| Investment properties | \$5,560,595 | 114,705 | 76,331 | — | — | 5,751,631 |
| 1-4 family properties | 995,903 | 64,325 | 61,726 | 7,202 | — | 1,129,156 |
| Land acquisition | 436,835 | 46,208 | 30,574 | 364 | — | 513,981 |
| Total commercial real estate | 6,993,333 | 225,238 | 168,631 | 7,566 | — | 7,394,768 |
| Commercial, financial and agricultural | 6,184,179 | 152,189 | 100,658 | 13,330 | 2,824 ⁽³⁾ | 6,453,180 |
| Owner-occupied | 4,118,631 | 78,490 | 121,272 | 98 | 459 ⁽³⁾ | 4,318,950 |
| Total commercial and industrial | 10,302,810 | 230,679 | 221,930 | 13,428 | 3,283 | 10,772,130 |
| Home equity lines | 1,666,586 | — | 20,456 | 1,206 | 1,666 ⁽³⁾ | 1,689,914 |
| Consumer mortgages | 1,910,649 | — | 26,041 | 1,700 | 293 ⁽³⁾ | 1,938,683 |
| Credit cards | 239,405 | — | 480 | — | 966 ⁽⁴⁾ | 240,851 |
| Other retail loans | 418,929 | — | 4,315 | — | 74 ⁽³⁾ | 423,318 |
| Total retail | 4,235,569 | — | 51,292 | 2,906 | 2,999 | 4,292,766 |
| Total loans | \$21,531,712 | 455,917 | 441,853 | 23,900 | 6,282 | 22,459,664 ⁽⁶⁾ |

⁽¹⁾ Includes \$270.1 million and \$303.7 million of Substandard accruing loans at June 30, 2016 and December 31, 2015, respectively.

⁽²⁾ The loans within this risk grade are on non-accrual status. Commercial loans generally have an allowance for loan losses in accordance with ASC 310, and retail loans generally have an allowance for loan losses equal to 50% of the loan amount.

⁽³⁾ The loans within this risk grade are on non-accrual status and have an allowance for loan losses equal to the full loan amount.

⁽⁴⁾ Represent amounts that were 120 days past due. These credits are downgraded to the Loss category with an allowance for loan losses equal to the full loan amount and are generally charged off upon reaching 181 days past due in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy.

⁽⁵⁾ Total before net deferred fees and costs of \$27.6 million.

⁽⁶⁾ Total before net deferred fees and costs of \$30.1 million.

Table of Contents

Allowance for Loan Losses and Recorded Investment in Loans

| (in thousands) | As of and For The Three Months Ended June 30, 2016 | | | |
|---|---|----------------------------|-----------|------------|
| | Commercial Real Estate | Commercial & Industrial | Retail | Total |
| Allowance for loan losses: | | | | |
| Beginning balance | \$84,557 | 124,878 | 45,081 | 254,516 |
| Charge-offs | (7,455) | (5,136) | (3,180) | (15,771) |
| Recoveries | 5,397 | 3,078 | 1,163 | 9,638 |
| Provision for loan losses | (3,140) | 6,813 | 3,020 | 6,693 |
| Ending balance ⁽¹⁾ | \$79,359 | 129,633 | 46,084 | 255,076 |
| Ending balance: individually evaluated for impairment | 12,515 | 14,221 | 1,691 | 28,427 |
| Ending balance: collectively evaluated for impairment | \$66,844 | 115,412 | 44,393 | 226,649 |
| Loans: | | | | |
| Ending balance: total loans ⁽¹⁾⁽²⁾ | \$7,507,695 | 10,955,430 | 4,625,410 | 23,088,535 |
| Ending balance: individually evaluated for impairment | 112,954 | 119,805 | 37,788 | 270,547 |
| Ending balance: collectively evaluated for impairment | \$7,394,741 | 10,835,625 | 4,587,622 | 22,817,988 |

| (in thousands) | As of and For The Three Months Ended June 30, 2015 | | | |
|---|---|----------------------------|-----------|------------|
| | Commercial Real Estate | Commercial & Industrial | Retail | Total |
| Allowance for loan losses: | | | | |
| Beginning balance | \$94,208 | 117,806 | 41,357 | 253,371 |
| Charge-offs | (2,957) | (3,802) | (3,845) | (10,604) |
| Recoveries | 2,540 | 1,305 | 1,454 | 5,299 |
| Provision for loan losses | (3,100) | 7,741 | 1,995 | 6,636 |
| Ending balance ⁽¹⁾ | \$90,691 | 123,050 | 40,961 | 254,702 |
| Ending balance: individually evaluated for impairment | 17,197 | 10,292 | 1,092 | 28,581 |
| Ending balance: collectively evaluated for impairment | \$73,494 | 112,758 | 39,869 | 226,121 |
| Loans: | | | | |
| Ending balance: total loans ⁽¹⁾⁽³⁾ | 7,071,595 | 10,404,527 | 4,047,868 | 21,523,990 |
| Ending balance: individually evaluated for impairment | 193,230 | 112,491 | 41,013 | 346,734 |
| Ending balance: collectively evaluated for impairment | \$6,878,365 | 10,292,036 | 4,006,855 | 21,177,256 |

⁽¹⁾ As of and for the three months ended June 30, 2016 and 2015, there were no purchased credit-impaired loans and no allowance for loan losses for purchased credit-impaired loans.

⁽²⁾ Total before net deferred fees and costs of \$27.6 million.

⁽³⁾ Total before net deferred fees and costs of \$29.1 million.

Table of Contents

The tables below summarize impaired loans (including accruing TDRs) as of June 30, 2016 and December 31, 2015.

Impaired Loans (including accruing TDRs)

| (in thousands) | June 30, 2016 | | | Six Months Ended June 30, 2016 | | Three Months Ended June 30, 2016 | |
|--|------------------------|--------------------------------|----------------------|--|----------------------|--|----------------------|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Interest Recorded Investment | Income Recognized | Average Interest Recorded Investment | Income Recognized |
| With no related allowance recorded | | | | | | | |
| Investment properties | \$4,249 | 4,275 | — | 8,772 | — | 8,185 | — |
| 1-4 family properties | 1,219 | 5,243 | — | 1,417 | — | 1,329 | — |
| Land acquisition | 2,650 | 7,109 | — | 4,431 | — | 2,857 | — |
| Total commercial real estate | 8,118 | 16,627 | — | 14,620 | — | 12,371 | — |
| Commercial, financial and agricultural | 5,434 | 7,585 | — | 5,738 | — | 5,761 | — |
| Owner-occupied | 8,023 | 9,019 | — | 8,661 | — | 8,753 | — |
| Total commercial and industrial | 13,457 | 16,604 | — | 14,399 | — | 14,514 | — |
| Home equity lines | 1,043 | 1,043 | — | 1,039 | — | 1,043 | — |
| Consumer mortgages | 814 | 2,065 | — | 814 | — | 814 | — |
| Credit cards | — | — | — | — | — | — | — |
| Other retail loans | — | — | — | — | — | — | — |
| Total retail | 1,857 | 3,108 | — | 1,853 | — | 1,857 | — |
| Total impaired loans with no related allowance recorded | \$23,432 | 36,339 | — | 30,872 | — | 28,742 | — |
| With allowance recorded | | | | | | | |
| Investment properties | \$39,590 | 39,593 | 4,356 | 49,244 | 1,022 | 40,474 | 366 |
| 1-4 family properties | 50,946 | 50,985 | 7,466 | 49,705 | 461 | 49,975 | 344 |
| Land acquisition | 14,300 | 14,301 | 693 | 19,715 | 223 | 16,342 | 95 |
| Total commercial real estate | 104,836 | 104,879 | 12,515 | 118,664 | 1,706 | 106,791 | 805 |
| Commercial, financial and agricultural | 53,621 | 55,850 | 12,634 | 54,517 | 517 | 59,487 | 328 |
| Owner-occupied | 52,727 | 52,948 | 1,587 | 50,379 | 927 | 51,355 | 483 |
| Total commercial and industrial | 106,348 | 108,798 | 14,221 | 104,896 | 1,444 | 110,842 | 811 |
| Home equity lines | 9,019 | 9,019 | 134 | 9,410 | 512 | 9,201 | 250 |
| Consumer mortgages | 20,939 | 20,939 | 1,179 | 21,480 | 224 | 21,138 | 109 |
| Credit cards | — | — | — | — | — | — | — |
| Other retail loans | 5,973 | 5,975 | 378 | 4,935 | 143 | 5,190 | 71 |
| Total retail | 35,931 | 35,933 | 1,691 | 35,825 | 879 | 35,529 | 430 |
| Total impaired loans with allowance recorded | \$247,115 | 249,610 | 28,427 | 259,385 | 4,029 | 253,162 | 2,046 |
| Total impaired loans | | | | | | | |
| Investment properties | \$43,839 | 43,868 | 4,356 | 58,016 | 1,022 | 48,659 | 366 |
| 1-4 family properties | 52,165 | 56,228 | 7,466 | 51,122 | 461 | 51,304 | 344 |
| Land acquisition | 16,950 | 21,410 | 693 | 24,146 | 223 | 19,199 | 95 |
| Total commercial real estate | 112,954 | 121,506 | 12,515 | 133,284 | 1,706 | 119,162 | 805 |
| Commercial, financial and agricultural | 59,055 | 63,435 | 12,634 | 60,255 | 517 | 65,248 | 328 |
| Owner-occupied | 60,750 | 61,967 | 1,587 | 59,040 | 927 | 60,108 | 483 |
| Total commercial and industrial | 119,805 | 125,402 | 14,221 | 119,295 | 1,444 | 125,356 | 811 |
| Home equity lines | 10,062 | 10,062 | 134 | 10,449 | 512 | 10,244 | 250 |
| Consumer mortgages | 21,753 | 23,004 | 1,179 | 22,294 | 224 | 21,952 | 109 |
| Credit cards | — | — | — | — | — | — | — |
| Other retail loans | 5,973 | 5,975 | 378 | 4,935 | 143 | 5,190 | 71 |

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| | | | | | | | |
|----------------------|-----------|---------|--------|---------|-------|---------|-------|
| Total retail | 37,788 | 39,041 | 1,691 | 37,678 | 879 | 37,386 | 430 |
| Total impaired loans | \$270,547 | 285,949 | 28,427 | 290,257 | 4,029 | 281,904 | 2,046 |

18

Table of Contents

Impaired Loans (including accruing TDRs)

| (in thousands) | December 31, 2015 | | | Year Ended December 31, 2015 | |
|--|------------------------|--------------------------------|----------------------|--|----------------------|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Interest Recorded Investment | Income Recognized |
| With no related allowance recorded | | | | | |
| Investment properties | \$10,051 | 12,946 | — | 11,625 | — |
| 1-4 family properties | 1,507 | 5,526 | — | 2,546 | — |
| Land acquisition | 8,551 | 39,053 | — | 13,897 | — |
| Total commercial real estate | 20,109 | 57,525 | — | 28,068 | — |
| Commercial, financial and agricultural | 4,393 | 7,606 | — | 5,737 | — |
| Owner-occupied | 8,762 | 11,210 | — | 14,657 | — |
| Total commercial and industrial | 13,155 | 18,816 | — | 20,394 | — |
| Home equity lines | 1,030 | 1,030 | — | 573 | — |
| Consumer mortgages | 814 | 941 | — | 995 | — |
| Credit cards | — | — | — | — | — |
| Other retail loans | — | — | — | — | — |
| Total retail | 1,844 | 1,971 | — | 1,568 | — |
| Total impaired loans with no related allowance recorded | \$35,108 | 78,312 | — | 50,030 | — |
| With allowance recorded | | | | | |
| Investment properties | \$62,305 | 62,305 | 10,070 | 73,211 | 2,131 |
| 1-4 family properties | 51,376 | 51,376 | 6,184 | 61,690 | 1,618 |
| Land acquisition | 24,168 | 24,738 | 2,715 | 34,793 | 936 |
| Total commercial real estate | 137,849 | 138,419 | 18,969 | 169,694 | 4,685 |
| Commercial, financial and agricultural | 42,914 | 44,374 | 8,339 | 43,740 | 1,125 |
| Owner-occupied | 49,530 | 49,688 | 2,138 | 55,323 | 1,814 |
| Total commercial and industrial | 92,444 | 94,062 | 10,477 | 99,063 | 2,939 |
| Home equity lines | 9,575 | 9,575 | 206 | 8,318 | 346 |
| Consumer mortgages | 22,173 | 23,297 | 651 | 26,044 | 1,229 |
| Credit cards | — | — | — | — | — |
| Other retail loans | 4,651 | 4,651 | 132 | 5,105 | 323 |
| Total retail | 36,399 | 37,523 | 989 | 39,467 | 1,898 |
| Total impaired loans with allowance recorded | \$266,692 | 270,004 | 30,435 | 308,224 | 9,522 |
| Total impaired loans | | | | | |
| Investment properties | \$72,356 | 75,251 | 10,070 | 84,836 | 2,131 |
| 1-4 family properties | 52,883 | 56,902 | 6,184 | 64,236 | 1,618 |
| Land acquisition | 32,719 | 63,791 | 2,715 | 48,690 | 936 |
| Total commercial real estate | 157,958 | 195,944 | 18,969 | 197,762 | 4,685 |
| Commercial, financial and agricultural | 47,307 | 51,980 | 8,339 | 49,477 | 1,125 |
| Owner-occupied | 58,292 | 60,898 | 2,138 | 69,980 | 1,814 |
| Total commercial and industrial | 105,599 | 112,878 | 10,477 | 119,457 | 2,939 |
| Home equity lines | 10,605 | 10,605 | 206 | 8,891 | 346 |
| Consumer mortgages | 22,987 | 24,238 | 651 | 27,039 | 1,229 |
| Credit cards | — | — | — | — | — |
| Other retail loans | 4,651 | 4,651 | 132 | 5,105 | 323 |
| Total retail | 38,243 | 39,494 | 989 | 41,035 | 1,898 |

| | | | | | |
|----------------------|-----------|---------|--------|---------|-------|
| Total impaired loans | \$301,800 | 348,316 | 30,435 | 358,254 | 9,522 |
|----------------------|-----------|---------|--------|---------|-------|

Table of Contents

The average recorded investment in impaired loans was \$401.5 million and \$375.5 million for the six and three months ended June 30, 2015. Excluding accruing TDRs, there was no interest income recognized for the investment in impaired loans for the six and three months ended June 30, 2015. Interest income recognized for accruing TDRs was \$5.1 million and \$2.5 million for the six and three months ended June 30, 2015. At June 30, 2016 and December 31, 2015, impaired loans of \$65.4 million and \$77.9 million, respectively, 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 an 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.

Table of Contents

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, 2016 and 2015 that were reported as accruing or non-accruing TDRs. TDRs by Concession Type

| (in thousands, except contract data) | Six Months Ended June 30, 2016 | | | | |
|--|--------------------------------|-----------------------|----------------------------|--|-----------------------|
| | Number of Contracts | Principal Forgiveness | Below Market Interest Rate | Term Extensions and/or Other Concessions | Total |
| Investment properties | 3 | \$ | —1,826 | 148 | 1,974 |
| 1-4 family properties | 19 | — | 3,490 | 1,164 | 4,654 |
| Land acquisition | 11 | — | — | 1,269 | 1,269 |
| Total commercial real estate | 33 | — | 5,316 | 2,581 | 7,897 |
| Commercial, financial and agricultural | 45 | — | 13,948 | 4,845 | 18,793 |
| Owner-occupied | 6 | — | 2,667 | 550 | 3,217 |
| Total commercial and industrial | 51 | — | 16,615 | 5,395 | 22,010 |
| Home equity lines | 3 | — | 224 | — | 224 |
| Consumer mortgages | 6 | — | 354 | 51 | 405 |
| Credit cards | — | — | — | — | — |
| Other retail loans | 17 | — | 324 | 1,534 | 1,858 |
| Total retail | 26 | — | 902 | 1,585 | 2,487 |
| Total TDRs | 110 | \$ | —22,833 | 9,561 | 32,394 ⁽¹⁾ |

| (in thousands, except contract data) | Three Months Ended June 30, 2016 | | | | |
|--|----------------------------------|-----------------------|----------------------------|--|-----------------------|
| | Number of Contracts | Principal Forgiveness | Below Market Interest Rate | Term Extensions and/or Other Concessions | Total |
| Investment properties | 1 | \$ | —1,389 | — | 1,389 |
| 1-4 family properties | 12 | — | 3,095 | 324 | 3,419 |
| Land acquisition | 5 | — | — | 734 | 734 |
| Total commercial real estate | 18 | — | 4,484 | 1,058 | 5,542 |
| Commercial, financial and agricultural | 15 | — | 1,934 | 1,458 | 3,392 |
| Owner-occupied | 2 | — | 1,132 | 102 | 1,234 |
| Total commercial and industrial | 17 | — | 3,066 | 1,560 | 4,626 |
| Home equity lines | 1 | — | 28 | — | 28 |
| Consumer mortgages | 3 | — | 200 | 51 | 251 |
| Credit cards | — | — | — | — | — |
| Other retail loans | 10 | — | 94 | 1,449 | 1,543 |
| Total retail | 14 | — | 322 | 1,500 | 1,822 |
| Total TDRs | 49 | \$ | —7,872 | 4,118 | 11,990 ⁽²⁾ |

(1) No net charge-offs were recorded during the six months ended June 30, 2016 upon restructuring of these loans.

(2) No net charge-offs were recorded during the three months ended June 30, 2016 upon restructuring of these loans.

Table of Contents

TDRs by Concession Type

| (in thousands, except contract data) | Six Months Ended June 30, 2015 | | | | |
|--|--------------------------------|-----------------------|----------------------------|--|-----------------------|
| | Number of Contracts | Principal Forgiveness | Below Market Interest Rate | Term Extensions and/or Other Concessions | Total |
| Investment properties | 4 | \$ — | 16,932 | 3,815 | 20,747 |
| 1-4 family properties | 21 | 14,823 | 3,358 | 879 | 19,060 |
| Land acquisition | 6 | — | 604 | 819 | 1,423 |
| Total commercial real estate | 31 | 14,823 | 20,894 | 5,513 | 41,230 |
| Commercial, financial and agricultural | 49 | — | 1,580 | 3,844 | 5,424 |
| Owner-occupied | 3 | — | 1,739 | 416 | 2,155 |
| Total commercial and industrial | 52 | — | 3,319 | 4,260 | 7,579 |
| Home equity lines | 48 | — | 2,517 | 2,148 | 4,665 |
| Consumer mortgages | 12 | — | 510 | 786 | 1,296 |
| Credit cards | — | — | — | — | — |
| Other retail loans | 13 | — | 257 | 495 | 752 |
| Total retail | 73 | — | 3,284 | 3,429 | 6,713 |
| Total TDRs | 156 | \$ 14,823 | 27,497 | 13,202 | 55,522 ⁽³⁾ |

| (in thousands, except contract data) | Three Months Ended June 30, 2015 | | | | |
|--|----------------------------------|-----------------------|----------------------------|--|----------------------|
| | Number of Contracts | Principal Forgiveness | Below Market Interest Rate | Term Extensions and/or Other Concessions | Total |
| Investment properties | 1 | \$ — | — | 211 | 211 |
| 1-4 family properties | 8 | — | 502 | 729 | 1,231 |
| Land acquisition | 3 | — | 349 | 111 | 460 |
| Total commercial real estate | 12 | — | 851 | 1,051 | 1,902 |
| Commercial, financial and agricultural | 24 | — | 565 | 1,954 | 2,519 |
| Owner-occupied | 1 | — | — | 416 | 416 |
| Total commercial and industrial | 25 | — | 565 | 2,370 | 2,935 |
| Home equity lines | 37 | — | 1,542 | 2,013 | 3,555 |
| Consumer mortgages | 1 | — | 265 | — | 265 |
| Credit cards | — | — | — | — | — |
| Other retail loans | 7 | — | — | 431 | 431 |
| Total retail | 45 | — | 1,807 | 2,444 | 4,251 |
| Total TDRs | 82 | \$ — | 3,223 | 5,865 | 9,088 ⁽⁴⁾ |

⁽³⁾ Net charge-offs of \$4.0 million were recorded during the six months ended June 30, 2015 upon restructuring of these loans.

⁽⁴⁾ No net charge-offs were recorded during the three months ended June 30, 2015 upon restructuring of these loans.

Table of Contents

For both the six and three months ended June 30, 2016, there was one default with a recorded investment of \$92 thousand on accruing TDRs restructured during the previous twelve months (defaults are defined as the earlier of the TDR being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments) compared to two defaults with a recorded investment of \$115 thousand and no defaults, respectively, for the six and three months ended June 30, 2015.

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, 2016, the allowance for loan losses allocated to accruing TDRs totaling \$205.2 million was \$12.7 million compared to accruing TDRs of \$223.9 million with an allocated allowance for loan losses of \$12.6 million at December 31, 2015. 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.

Table of Contents

Note 6 - Other Comprehensive Income (Loss)

The following tables illustrate activity within the balances in accumulated other comprehensive income (loss) by component for the six and three months ended June 30, 2016 and 2015.

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 at December 31, 2015 | \$(12,504) | (18,222) | 907 | (29,819) |
| Other comprehensive income before reclassifications | — | 40,722 | — | 40,722 |
| Amounts reclassified from accumulated other comprehensive income (loss) | 207 | (41) | (64) | 102 |
| Net current period other comprehensive income | 207 | 40,681 | (64) | 40,824 |
| Balance as of June 30, 2016 | \$(12,297) | 22,459 | 843 | 11,005 |
| Balance as of April 1, 2016 | \$(12,336) | 10,747 | 849 | (740) |
| Other comprehensive income before reclassifications | — | 11,712 | — | 11,712 |
| Amounts reclassified from accumulated other comprehensive income (loss) | 39 | — | (6) | 33 |
| Net current period other comprehensive income | 39 | 11,712 | (6) | 11,745 |
| Balance as of June 30, 2016 | \$(12,297) | 22,459 | 843 | 11,005 |

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 at December 31, 2014 | \$(12,824) | (713) | 932 | (12,605) |
| Other comprehensive income before reclassifications | — | (8,279) | 143 | (8,136) |
| Amounts reclassified from accumulated other comprehensive income (loss) | 137 | (1,667) | (52) | (1,582) |
| Net current period other comprehensive income | 137 | (9,946) | 91 | (9,718) |
| Balance as of June 30, 2015 | \$(12,687) | (10,659) | 1,023 | (22,323) |
| Balance as of April 1, 2015 | \$(12,755) | 8,198 | 906 | (3,651) |
| Other comprehensive income (loss) before reclassifications | — | (17,636) | 143 | (17,493) |
| Amounts reclassified from accumulated other comprehensive income (loss) | 68 | (1,221) | (26) | (1,179) |
| Net current period other comprehensive income (loss) | 68 | (18,857) | 117 | (18,672) |
| Balance as of June 30, 2015 | \$(12,687) | (10,659) | 1,023 | (22,323) |

Table of Contents

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). 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, 2016, the 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 a 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.

Table of Contents

Reclassifications out of Accumulated Other Comprehensive Income (Loss)

| Details About Accumulated Other Comprehensive Income (Loss) Components | Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Six Months Ended June 30, 2016 | 2015 | Affected Line Item in the Statement Where Net Income is Presented |
|---|---|-------|---|
| Net unrealized gains (losses) on cash flow hedges: | | | |
| Amortization of deferred losses | \$(140) | (224) | Interest expense |
| Amortization of deferred losses | (197) | — | Loss on early extinguishment of debt |
| | 130 | 87 | Income tax (expense) benefit |
| | \$(207) | (137) | Reclassifications, net of income taxes |

Net unrealized gains (losses) on investment securities available for sale:

| | | | |
|--|-------|---------|--|
| Realized gain on sale of securities | \$67 | 2,710 | Investment securities gains, net |
| | (26) | (1,043) | Income tax (expense) benefit |
| | \$41 | 1,667 | Reclassifications, net of income taxes |
| Post-retirement unfunded health benefit: | | | |
| Amortization of actuarial gains | \$104 | 84 | Salaries and other personnel expense |
| | (40) | (32) | Income tax (expense) benefit |
| | \$64 | 52 | Reclassifications, net of income taxes |

Reclassifications out of Accumulated Other Comprehensive Income (Loss)

| Details About Accumulated Other Comprehensive Income (Loss) Components | Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Three Months Ended June 30, 2016 | 2015 | Affected Line Item in the Statement Where Net Income is Presented |
|---|---|-------|---|
| Net unrealized gains (losses) on cash flow hedges: | | | |
| Amortization of deferred losses | \$(64) | (112) | Interest expense |
| | 25 | 44 | Income tax (expense) benefit |

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\$ (39) (68) Reclassifications, net of income taxes

Net unrealized gains (losses) on investment securities available for sale:

| | | | |
|-------------------------------------|------|--------|--|
| Realized gain on sale of securities | \$ — | 1,985 | Investment securities gains, net |
| | — | (764) | Income tax (expense) benefit |
| | \$ — | 1,221 | Reclassifications, net of income taxes |

Post-retirement unfunded health benefit:

| | | | |
|---------------------------------|-------|-------|--|
| Amortization of actuarial gains | \$ 10 | 42 | Salaries and other personnel expense |
| | (4) | (16) | Income tax (expense) benefit |
| | \$ 6 | 26 | Reclassifications, net of income taxes |

Table of Contents

Note 7 - Fair Value Accounting

Synovus carries various assets and liabilities at fair value based on the fair value accounting guidance under ASC 820, Fair Value Measurements, and ASC 825, Financial Instruments. 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, U.S. Treasury securities, and mutual funds.
 - 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, collateralized mortgage obligations 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 private equity investments.
- See Note 14 "Fair Value Accounting" to the consolidated financial statements of Synovus' 2015 Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

Table of Contents

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, 2016 and December 31, 2015, 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. Transfers between levels during the six and three months ended June 30, 2016 and year ended December 31, 2015 were inconsequential.

| (in thousands) | June 30, 2016 | | | Total Assets and Liabilities at Fair Value |
|--|---------------|-----------|------------|--|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Trading securities: | | | | |
| Mortgage-backed securities issued by U.S. Government agencies | — | 798 | — | 798 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | 11 | — | 11 |
| Other U.S. Government agencies | | 177 | | 177 |
| State and municipal securities | — | 15 | — | 15 |
| Total trading securities | \$— | 1,001 | — | 1,001 |
| Mortgage loans held for sale | — | 87,824 | — | 87,824 |
| Investment securities available for sale: | | | | |
| U.S. Treasury securities | 74,823 | — | — | 74,823 |
| U.S. Government agency securities | — | 13,449 | — | 13,449 |
| Securities issued by U.S. Government sponsored enterprises | — | 50,117 | — | 50,117 |
| Mortgage-backed securities issued by U.S. Government agencies | — | 192,783 | — | 192,783 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | — | 2,581,669 | — | 2,581,669 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | — | 635,614 | — | 635,614 |
| State and municipal securities | — | 3,046 | — | 3,046 |
| Equity securities | 8,731 | — | — | 8,731 |
| Other investments ⁽¹⁾ | 3,169 | 15,333 | 1,625 | 20,127 |
| Total investment securities available for sale | \$86,723 | 3,492,011 | 1,625 | 3,580,359 |
| Private equity investments | — | 658 | 26,866 | 27,524 |
| Mutual funds held in rabbi trusts | 11,141 | — | — | 11,141 |
| Derivative assets: | | | | |
| Interest rate contracts | — | 36,804 | — | 36,804 |
| Mortgage derivatives ⁽²⁾ | — | 2,541 | — | 2,541 |
| Total derivative assets | \$— | 39,345 | — | 39,345 |
| Liabilities | | | | |
| Trading account liabilities | — | 789 | — | 789 |
| Derivative liabilities: | | | | |
| Interest rate contracts | — | 37,221 | — | 37,221 |
| Mortgage derivatives ⁽²⁾ | — | 1,467 | — | 1,467 |
| Visa derivative | — | — | 1,415 | 1,415 |
| Total derivative liabilities | \$— | 38,688 | 1,415 | 40,103 |

Table of Contents

| (in thousands) | December 31, 2015 | | | Total Assets and Liabilities at Fair Value |
|---|-------------------|-----------|------------|--|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Trading securities: | | | | |
| Mortgage-backed securities issued by U.S. Government agencies | — | 2,922 | — | 2,922 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | 1,078 | — | 1,078 |
| State and municipal securities | — | 1,097 | — | 1,097 |
| Total trading securities | \$— | 5,097 | — | 5,097 |
| Mortgage loans held for sale | — | 59,275 | — | 59,275 |
| Investment securities available for sale: | | | | |
| U.S. Treasury securities | 43,357 | — | — | 43,357 |
| U.S. Government agency securities | — | 13,623 | — | 13,623 |
| Securities issued by U.S. Government sponsored enterprises | — | 126,909 | — | 126,909 |
| Mortgage-backed securities issued by U.S. Government agencies | — | 210,004 | — | 210,004 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | — | 2,630,419 | — | 2,630,419 |
| Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises | — | 529,597 | — | 529,597 |
| State and municipal securities | — | 4,434 | — | 4,434 |
| Equity securities | 9,672 | — | — | 9,672 |
| Other investments ⁽¹⁾ | 3,073 | 14,985 | 1,745 | 19,803 |
| Total investment securities available for sale | \$56,102 | 3,529,971 | 1,745 | 3,587,818 |
| Private equity investments | — | 870 | 27,148 | 28,018 |
| Mutual funds held in rabbi trusts | 10,664 | — | — | 10,664 |
| Derivative assets: | | | | |
| Interest rate contracts | — | 25,580 | — | 25,580 |
| Mortgage derivatives ⁽²⁾ | — | 1,559 | — | 1,559 |
| Total derivative assets | \$— | 27,139 | — | 27,139 |
| Liabilities | | | | |
| Trading account liabilities | — | 1,032 | — | 1,032 |
| Derivative liabilities: | | | | |
| Interest rate contracts | — | 26,030 | — | 26,030 |
| Visa derivative | — | — | 1,415 | 1,415 |
| Total derivative liabilities | \$— | 26,030 | 1,415 | 27,445 |

⁽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.

Table of Contents

Fair Value Option

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) | 2016 | 2015 | 2016 | 2015 |
| Mortgage loans held for sale | \$1,850 | (563) | \$878 | (973) |

Mortgage Loans Held for Sale

| (in thousands) | As of June 30, 2016 | As of December 31, 2015 |
|--|---------------------------|-------------------------------|
| Fair value | \$87,824 | 59,275 |
| Unpaid principal balance | 84,877 | 58,177 |
| Fair value less aggregate unpaid principal balance | \$2,947 | 1,098 |

Table of Contents

The table below provides 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 and are measured at fair value on a recurring basis. 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.

| | | | June 30, 2016 | December 31, 2015 |
|---|--|--|---|---|
| | Valuation Technique | Significant Unobservable Input | Range (Weighted Average) ⁽¹⁾ | Range (Weighted Average) ⁽¹⁾ |
| Assets measured at fair value on a recurring basis | | | | |
| Investment Securities Available for Sale - Other Investments: | | | | |
| Trust preferred securities | Discounted cash flow analysis | Credit spread embedded in discount rate | 530 bps | 477 bps |
| Private equity investments | 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 | N/A | N/A |
| | | Discount for lack of marketability ⁽²⁾ | 15% | 15% |
| Visa derivative liability | Internal valuation | Estimated future cumulative deposits to the litigation escrow for settlement of the Covered Litigation, and estimated future monthly fees payable to the derivative counterparty | N/A | N/A |

⁽¹⁾ The range represents management's best estimate of the high and low of the value that would be assigned to a particular input.

⁽²⁾ Represents management's estimate of discount that market participants would require based on the instrument's lack of liquidity.

Table of Contents

Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are 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.

| (in thousands) | June 30, 2016 | | | December 31, 2015 | | | | |
|----------------------------|---------------|---------|---------|-------------------|---------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Impaired loans* | \$— | | 3,680 | 3,680 | — | | 11,264 | 11,264 |
| Other loans held for sale | — | | — | — | — | | 425 | 425 |
| Other real estate | — | | 13,082 | 13,082 | — | | 23,519 | 23,519 |
| Other assets held for sale | \$— | | 8,043 | 8,043 | — | | 3,425 | 3,425 |

The following table presents fair value adjustments recognized in earnings for the six and three months ended June 30, 2016 and 2015 for the assets measured at fair value on a non-recurring basis.

| (in thousands) | Six Months Ended June 30, | | Three Months Ended June 30, | |
|----------------------------|---------------------------|-------|-----------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Impaired loans* | \$1,162 | 1,792 | — | 1,546 |
| Other real estate | 3,306 | 8,962 | 2,053 | 4,714 |
| Other assets held for sale | 6,625 | — | 5,593 | — |

* Collateral-dependent impaired loans that were written down to collateral value during the period.

Table of Contents

The table below provides 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 and are measured at fair value on a non-recurring basis. 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.

| | Valuation Technique | Significant Unobservable Input | June 30, 2016 Range (Weighted Average) ⁽¹⁾ | December 31, 2015 Range (Weighted Average) ⁽¹⁾ |
|--|---|---|---|---|
| Assets measured at fair value on a non-recurring basis | | | | |
| Collateral dependent impaired loans | Third-party appraised value of collateral less estimated selling costs | Discount to appraised value ⁽²⁾ Estimated selling costs | 0% - 83% (32%) 0% - 10% (7%) | 0%-100% (51%) 0%-10% (7%) |
| Other loans held for sale | Third-party appraised value of collateral less estimated selling costs | Discount to appraised value ⁽²⁾ Estimated selling costs | | 0%-11% (7%) 0%-10% (7%) |
| Other real estate | Third-party appraised value of collateral less estimated selling costs | Discount to appraised value ⁽²⁾ Estimated selling costs | 0% - 32% (13%) 0% - 10% (7%) | 0%-20% (7%) 0%-10% (7%) |
| Other assets held for sale | Third-party appraised value of collateral less estimated selling costs or BOV | Discount to appraised value ⁽²⁾ Estimated selling costs | 0%-86% (65%) 0%-10% (7%) | 0%-75% (42%) 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⁾ 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.

Fair Value of Financial Instruments

The following table presents the carrying and fair values of financial instruments at June 30, 2016 and December 31, 2015. 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 deposits), and long-term debt, the fair value amounts should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately.

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| | | | | | |
|---|-----------|-----------|---------|-----------|-------|
| Federal funds purchased and securities sold under repurchase agreements | 177,025 | 177,025 | 177,025 | — | — |
| Long-term debt | 2,186,893 | 2,244,376 | — | 2,244,376 | — |
| Derivative liabilities | \$27,445 | 27,445 | — | 26,030 | 1,415 |

35

Table of Contents

Note 8 - 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.

Synovus may also utilize 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, 2016 and December 31, 2015, Synovus had no outstanding interest rate swap contracts utilized to manage interest rate risk related to core banking activities.

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, evaluating other market indicators, and periodic detailed financial reviews. 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.

Cash Flow Hedges

As of June 30, 2016, there were no cash flow hedges outstanding. Synovus did not terminate any cash flow hedges during 2016 or 2015. The remaining unamortized deferred net loss balance of all previously terminated cash flow hedges at June 30, 2016 and December 31, 2015 was \$(260) thousand and \$(597) thousand, respectively. Synovus expects to reclassify from accumulated other comprehensive income (loss) \$260 thousand to interest expense during the next twelve months as amortization of deferred losses from prior period cash flow hedge terminations is recognized. Additionally, Synovus recognized \$197 thousand of the deferred loss balance to loss on early extinguishment of debt during the first quarter of 2016.

Fair Value Hedges

As of June 30, 2016, there were no fair value hedges outstanding. Synovus did not terminate any fair value hedges during 2016 or 2015. The remaining unamortized deferred gain balance on all previously terminated fair value hedges at June 30, 2016 and December 31, 2015 was \$1.7 million and \$4.0 million, respectively. Synovus expects to reclassify from hedge-related basis adjustment, a component of long-term debt, \$1.7 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. Additionally, Synovus recorded \$1.3 million of the unamortized deferred gain balance to loss on early extinguishment of debt during the first quarter of 2016.

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, 2016, the notional amount of customer related interest rate derivative financial instruments, including both the customer position and the offsetting position, was \$1.28 billion, an increase of \$6.9 million compared to December 31, 2015.

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

Table of Contents

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 \$1.4 million at both June 30, 2016 and December 31, 2015. 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. 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 commits it 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.

At June 30, 2016 and December 31, 2015, Synovus had commitments to fund at a locked interest rate, primarily fixed-rate mortgage loans to customers in the amount of \$108.9 million and \$88.8 million, respectively. The fair value of these commitments resulted in a gain of \$1.2 million and \$266 thousand for the six months ended June 30, 2016 and 2015, respectively, which was recorded as a component of mortgage banking income in the consolidated statements of income.

At June 30, 2016 and December 31, 2015, outstanding commitments to sell primarily fixed-rate mortgage loans amounted to \$135.0 million and \$95.0 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. Fair value adjustments related to these outstanding commitments to sell mortgage loans resulted in a loss of \$1.6 million and a gain of \$2.0 million for the six months ended June 30, 2016 and 2015, respectively, which were recorded as a component of mortgage banking income in the consolidated statements of income.

Collateral Contingencies

Certain derivative counterparties require Synovus to maintain specified minimum credit ratings from each of the major credit rating agencies. Should Synovus' credit rating fall below these specified ratings, the counterparties have the contractual right to demand immediate and ongoing full collateralization on derivative instruments in net liability positions and, for certain counterparties, request immediate termination. Certain of these agreements currently require Synovus to post collateral against specific derivative 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, 2016, collateral totaling \$75.2 million, consisting of Federal funds sold, was pledged to the derivative counterparties, including \$22.9 million with the CCC, to comply with collateral requirements.

Table of Contents

The impact of derivative instruments on the consolidated balance sheets at June 30, 2016 and December 31, 2015 is presented below.

| (in thousands) | Fair Value of Derivative Assets | | Fair Value of Derivative Liabilities | | | |
|---|--|---------------|--------------------------------------|--|---------------|-------------------|
| | Location on Consolidated Balance Sheet | June 30, 2016 | December 31, 2015 | Location on Consolidated Balance Sheet | June 30, 2016 | December 31, 2015 |
| Derivatives not designated as hedging instruments: | | | | | | |
| Interest rate contracts | Other assets | \$36,804 | 25,580 | Other liabilities | 37,221 | 26,030 |
| Mortgage derivatives | Other assets | 2,541 | 1,559 | Other liabilities | 1,467 | — |
| Visa derivative | | — | — | Other liabilities | 1,415 | 1,415 |
| Total derivatives not designated as hedging instruments | | \$39,345 | 27,139 | | 40,103 | 27,445 |

The pre-tax effect of fair value hedges on the consolidated statements of income for the six and three months ended June 30, 2016 is presented below.

| (in thousands) | Location of Gain (Loss) Recognized in Income | Gain (Loss) Recognized in Income | |
|---|--|----------------------------------|-------|
| | | Six Months Ended June 30, 2016 | 2015 |
| Derivatives not designated as hedging instruments | | | |
| Interest rate contracts ⁽¹⁾ | Other non-interest income | 33 | (124) |
| Mortgage derivatives ⁽²⁾ | Mortgage banking income | (485) | 2,231 |
| Total | | \$(452) | 2,107 |

| (in thousands) | Location of Gain (Loss) Recognized in Income | Gain (Loss) Recognized in Income | |
|---|--|----------------------------------|-------|
| | | Three Months Ended June 30, 2016 | 2015 |
| Derivatives not designated as hedging instruments | | | |
| Interest rate contracts ⁽¹⁾ | Other non-interest income | 27 | 55 |
| Mortgage derivatives ⁽²⁾ | Mortgage banking income | (335) | 1,128 |
| Total | | \$(308) | 1,183 |

⁽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, 2016 and 2015, Synovus reclassified \$950 thousand and \$1.5 million, respectively, from hedge-related basis adjustment, a component of long-term debt, as a reduction to interest expense.

Additionally, during the six months ended June 30, 2016, Synovus reclassified \$1.3 million from hedge-related basis adjustment, as a reduction to loss on early extinguishment of debt. 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.

Table of Contents

Note 9 - 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, 2016.

| (in thousands, except per share data) | Six Months Ended | | Three Months | |
|--|------------------|---------|------------------------|---------|
| | June 30, 2016 | 2015 | Ended June 30, 2016 | 2015 |
| Basic Net Income Per Common Share: | | | | |
| Net income available to common shareholders | \$ 107,870 | 104,637 | \$ 57,898 | 53,233 |
| Weighted average common shares outstanding | 126,164 | 133,935 | 125,100 | 132,947 |
| Net income per common share, basic | \$ 0.85 | 0.78 | 0.46 | 0.40 |
| Diluted Net Income Per Common Share: | | | | |
| Net income available to common shareholders | \$ 107,870 | 104,637 | \$ 57,898 | 53,233 |
| Weighted average common shares outstanding | 126,164 | 133,935 | 125,100 | 132,947 |
| Potentially dilutive shares from outstanding equity-based awards | 614 | 743 | 599 | 678 |
| Weighted average diluted common shares | 126,778 | 134,678 | 125,699 | 133,625 |
| Net income per common share, diluted | \$ 0.85 | 0.78 | 0.46 | 0.40 |

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.

As of June 30, 2016 and 2015, there were 2.5 million and 2.7 million, respectively, potentially dilutive shares related to common stock options and Warrants to purchase shares of common stock that were outstanding during 2016 and 2015, but were not included in the computation of diluted net income per common share because the effect would have been anti-dilutive.

Table of Contents

Note 10 - 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, 2016, Synovus had a total of 6.2 million shares of its authorized but unissued common stock reserved for future grants under the 2013 Omnibus Plan. The 2013 Omnibus Plan authorizes 8.6 million 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, and performance share units) count as two 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, restricted share units, market restricted share units, and performance share units. The grants generally include vesting periods ranging from three to five years and contractual terms of ten years. Stock options are granted at exercise prices which equal the fair value of a share of common stock on the grant-date. Market restricted share units and performance share units are granted at target and are compared annually to required market and performance metrics to determine final units vested and compensation expense. Synovus has historically issued new shares to satisfy share option exercises and share unit conversions. Dividend equivalents are paid on outstanding restricted share units, market restricted share units, and performance 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

Total share-based compensation expense was \$6.8 million and \$3.5 million for the six and three months ended June 30, 2016, respectively, and \$6.3 million and \$3.0 million for the six and three months ended June 30, 2015, respectively.

Stock Options

No stock option grants were made during the six months ended June 30, 2016. At June 30, 2016, there were 1.5 million outstanding options to purchase shares of common stock with a weighted average exercise price of \$34.10 per share.

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

During the six months ended June 30, 2016, Synovus awarded 342 thousand restricted share units that have a service-based vesting period of three years and awarded 84 thousand performance share units that vest upon service and performance conditions. Synovus also granted 84 thousand market restricted share units during the six months ended June 30, 2016. The weighted average grant-date fair value of the awarded restricted share units, performance share units and market restricted share units was \$26.22 per share. Market restricted share units and performance share units are granted at target and are compared annually to required market and performance metrics. The performance share units vest upon meeting certain service and performance conditions. Return on average assets (ROAA) performance is evaluated each year over a three-year performance period, with share distribution determined at the end of the three years. The number of performance share units that will ultimately vest ranges from 0% to 150% of target based on Synovus' three-year weighted average ROAA (as defined). The market restricted share units have a three-year service-based vesting component as well as a total shareholder return multiplier. The number of market restricted share units that will ultimately vest ranges from 75% to 125% of target based on Synovus' total shareholder return. At June 30, 2016, including dividend equivalents granted, there were 1.1 million restricted share units, performance share units and market restricted share units outstanding with a weighted average grant-date fair value of \$26.30 per share.

Note 11 - Commitments and Contingencies

In the normal course of business, Synovus enters into commitments to extend credit such as loan commitments and letters of credit to meet the financing needs of its customers. Synovus uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

The contractual amount of these financial instruments represents Synovus' maximum credit risk should the counterparty draw upon the commitment, and should the counterparty subsequently fail to perform according to the terms of the contract. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements.

The carrying amount of loan commitments and letters of credit closely approximates the fair value of such financial instruments. Carrying amounts include unamortized fee income and, in some instances, allowances for any estimated credit losses from these financial instruments. These amounts are not material to Synovus' consolidated balance sheets.

Table of Contents

Unfunded lending commitments and letters of credit at June 30, 2016 and December 31, 2015 are presented below.

| (in thousands) | June 30, 2016 | December 31, 2015 |
|--|------------------|----------------------|
| Letters of credit* | \$182,327 | 166,936 |
| Commitments to fund commercial real estate, construction, and land development loans | 1,696,990 | 1,882,130 |
| Unused credit card lines | 1,078,166 | 1,055,181 |
| Commitments under home equity lines of credit | 1,089,537 | 1,051,386 |
| Commitments to fund commercial and industrial loans | 4,169,140 | 4,094,809 |
| Other loan commitments | 417,431 | 284,706 |
| Total unfunded lending commitments and letters of credit | \$8,633,591 | 8,535,148 |

* Represents the contractual amount net of risk participations of \$62 million and \$66 million at June 30, 2016 and December 31, 2015, respectively.

Table of Contents

Note 12 - Legal Proceedings

Synovus and its subsidiaries are subject to various legal proceedings, claims and disputes that arise in the ordinary course of its business. Additionally, in the ordinary course of business, Synovus and its subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. Synovus, like many other financial institutions, has been the target of legal actions and other proceedings asserting claims for damages and related relief for losses. These actions include mortgage loan and other loan put-back claims, claims and counterclaims asserted by individual borrowers related to their loans and allegations of violations of state and federal laws and regulations relating to banking practices, including putative class action matters. In addition to actual damages if Synovus does not prevail in such asserted legal actions, credit-related litigation could result in additional write-downs or charge-offs of assets, which could adversely affect Synovus' results of operations during the period in which the write-down or charge-off were to occur.

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, 2016 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 more than slight but less than reasonably possible." 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 that the aggregate range from our pending and threatened litigation, including, without limitation, the matters described below, is from zero to \$12 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, reputational risk 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.

TelexFree Litigation

On October 22, 2014, several pending lawsuits were consolidated into a multi-district putative class action case captioned In re: TelexFree Securities Litigation, MDL Number 4:14-md2566-TSH, United States District Court District of Massachusetts. Synovus Financial Corp. and Synovus Bank were named as defendants with numerous other defendants in the purported class action lawsuit. An Amended Complaint was filed on March 31, 2015 which consolidated and amended the claims previously asserted. The claims against Synovus Financial Corp. were dismissed by Plaintiffs on April 10, 2015 so now, as to Synovus-related entities, only claims against Synovus Bank remain pending. TelexFree was a merchant customer of Base Commerce, LLC, an independent sales organization/member

service provider sponsored by Synovus Bank. The purported class action lawsuit generally alleges that TelexFree engaged in an improper multi-tier marketing scheme involving voice-over Internet protocol telephone services and that the various defendants, including Synovus Bank, provided financial services to TelexFree that allowed TelexFree to conduct its business operations. Synovus Bank filed a motion to dismiss the lawsuit on June 1, 2015, which remains pending before the court.

Synovus believes it has substantial defenses related to these purported claims and intends to vigorously defend the claims asserted. Synovus currently cannot reasonably estimate losses attributable to this matter.

Table of Contents

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,” “assume,” “predicts,” “could,” “should,” “would,” “intends,” “targets,” “estimates,” “projects,” “plans,” “potential” and other similar words or 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; the risk that we may not realize the expected benefits from our efficiency and growth initiatives, which will
- (2) negatively affect our future profitability;
- (3) the risk that our enterprise risk management framework may not identify or address risks adequately, which may result in unexpected losses;
- (4) the risk that our allowance for loan losses may prove to be inadequate or may be negatively affected by credit risk exposures;
- (5) the risk that any future economic downturn could have a material adverse effect on our capital, financial condition, results of operations and future growth;
- (6) changes in the interest rate environment, including changes to the federal funds rate, 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;
- (7) the risk that we may be required to make substantial expenditures to keep pace with the rapid technological changes in the financial services market;
- (8) 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;
- (9) 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;
- (10) our ability to attract and retain key employees;
- (11) the risk that we could realize losses if we determine to sell non-performing assets and the proceeds we receive are lower than the carrying value of such assets;

Table of Contents

- the risk that we may not be able to identify suitable acquisition targets as part of our growth strategy and even if we are able to identify suitable acquisition targets, we may not be able to complete such acquisitions,
- (12) successfully integrate bank or nonbank acquisitions into our existing operations, or realize the anticipated benefits or synergies from such acquisitions;
- the impact of the 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
- (13) 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;
- 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;
- (14) the risks that if economic conditions worsen or regulatory capital rules are modified, or the results of mandated
- (15) “stress testing” do not satisfy certain criteria, we may be required to undertake initiatives to improve our capital position;
- changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way
- (16) in which we are perceived in such markets, may adversely affect our capital resources, liquidity and financial results;
- restrictions or limitations on access to funds from historical and alternative sources of liquidity could adversely
- (17) 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;
- the risk that we may be unable to pay dividends on our common stock or Series C Preferred Stock or obtain any
- (18) applicable regulatory approval to take certain capital actions, including any increases in dividends on our common stock, any repurchases of common stock or any other issuance or redemption of any other regulatory capital instruments;
- (19) our ability to receive dividends from our subsidiaries could affect our liquidity, including our ability to pay dividends or take other capital actions;
- (20) the risk that further downgrades of U.S. government securities by one or more of the credit ratings agencies could have a material effect on our operations, earnings, and financial condition;
- risks related to recent and proposed changes in the mortgage banking industry, including the risk that we may be
- (21) 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 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;
- the risk that we could have an “ownership change” under Section 382 of the Code, which could impair our ability
- (23) to timely and fully utilize our net operating losses and built-in losses that may exist when such “ownership change” occurs;
- (24) the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments related thereto;
- (25) risks related to the fluctuation in our stock price;
- (26) the effects of any damages to our reputation resulting from developments related to any of the items identified above; and
- (27) other factors and other information contained in this Report and in 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' 2015 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' 2015 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.

Table of Contents

INTRODUCTION AND CORPORATE PROFILE

Synovus Financial Corp. is a financial services company and a registered bank holding company headquartered in Columbus, Georgia. Through its wholly-owned subsidiary, Synovus Bank, member FDIC, the company provides commercial and retail banking in addition to a full suite of specialized products and services including private banking, treasury management, wealth management, and international banking. Synovus also provides mortgage services, financial planning, and investment advisory services through its wholly-owned subsidiaries, Synovus Mortgage, Synovus Trust, and Synovus Securities, as well as its GLOBALT and Creative Financial Group divisions. Synovus Bank's 28 locally-branded bank divisions are positioned in some of the best markets in the Southeast, with 253 branches and 335 ATMs in Georgia, Alabama, South Carolina, Florida, and Tennessee.

The following financial review summarizes the significant trends, changes in our business, transactions, and other matters affecting Synovus' results of operations for the six and three months ended June 30, 2016 and financial condition as of June 30, 2016 and December 31, 2015. 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' 2015 Form 10-K.

Management's Discussion and Analysis of Financial Condition and Results of Operations consists of:

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 - Comments on additional important matters including 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.

Table of Contents

DISCUSSION OF RESULTS OF OPERATIONS

Consolidated Financial Highlights

| (dollars in thousands, except per share data) | Six Months Ended June 30, | | | Three Months Ended June 30, | | |
|---|---------------------------|---------|---------|-----------------------------|---------|--------|
| | 2016 | 2015 | Change | 2016 | 2015 | Change |
| Net interest income | \$439,643 | 406,907 | 8.0% | \$221,449 | 203,644 | 8.7% |
| Provision for loan losses | 16,070 | 11,034 | 45.6 | 6,693 | 6,636 | 0.9 |
| Non-interest income | 131,033 | 134,687 | (2.7) | 67,886 | 68,832 | (1.4) |
| Adjusted non-interest income ⁽¹⁾ | 130,966 | 131,977 | (0.8) | 67,886 | 66,847 | 1.6 |
| Non-interest expense | 376,844 | 356,713 | 5.6 | 188,611 | 177,806 | 6.1 |
| Adjusted non-interest expense ⁽¹⁾ | 361,708 | 351,686 | 2.8 | 182,410 | 173,047 | 5.4 |
| Income before income taxes | 177,762 | 173,847 | 2.3 | 94,031 | 88,034 | 6.8 |
| Net income | 112,989 | 109,756 | 2.9 | 60,457 | 55,792 | 8.4 |
| Net income available to common shareholders | 107,870 | 104,637 | 3.1 | 57,898 | 53,233 | 8.8 |
| Net income per common share, basic | 0.85 | 0.78 | 9.4 | 0.46 | 0.40 | 15.6 |
| Net income per common share, diluted | 0.85 | 0.78 | 9.5 | 0.46 | 0.40 | 15.6 |
| Net interest margin | 3.27 | % 3.22 | 5 bps | 3.27 | % 3.15 | 12bps |
| Net charge-off ratio (annualized) | 0.12 | 0.17 | (5) bps | 0.11 | 0.10 | 1bp |

| (dollars in thousands, except per share data) | June 30, 2016 | March 31, 2016 | Sequential Quarter Change | June 30, 2015 | Year-Over-Year Change |
|--|---------------------------------------|----------------|---------------------------|---------------|-----------------------|
| | Loans, net of deferred fees and costs | \$23,060,908 | 22,758,203 | 302,705 | \$21,494,869 |
| Total deposits | 23,925,922 | 23,449,928 | 475,994 | 22,649,181 | 1,276,741 |
| Total average deposits | 23,608,027 | 23,210,263 | 397,764 | 22,466,102 | 1,141,925 |
| Average core deposits ⁽¹⁾ | 22,271,027 | 22,115,024 | 156,003 | 20,910,171 | 1,360,856 |
| Average core deposits excluding average state, county, and municipal (SCM) deposits ⁽¹⁾ | 19,990,988 | 19,674,275 | 316,713 | 18,632,388 | 1,358,600 |
| Non-performing assets ratio | 0.81 | % 0.95 | (14) bps | 1.11 | % (30) bps |
| Non-performing loans ratio | 0.67 | 0.78 | (11) bps | 0.81 | (14) bps |
| Past due loans over 90 days | 0.03 | 0.01 | 2 bps | 0.02 | 1 bp |
| Tier 1 capital | \$2,627,572 | 2,609,191 | 18,381 | 2,615,827 | 11,745 |
| Common equity Tier 1 capital (transitional) | 2,616,181 | 2,609,191 | 6,990 | 2,615,827 | 354 |
| Total risk-based capital | 3,146,897 | 3,183,901 | (37,004) | 2,971,518 | 175,379 |
| Tier 1 capital ratio | 10.06% | 10.04 | 2 bps | 10.73 | % (67) bps |
| Common equity Tier 1 capital ratio (transitional) | 10.01 | 10.04 | (3) bps | 10.73 | (72) bps |
| Total risk-based capital ratio | 12.05 | 12.25 | (20) bps | 12.18 | (13) bps |
| Total shareholders' equity to total assets ratio | 10.02 | 10.12 | (10) bps | 10.66 | (64) bps |
| Tangible common equity to tangible assets ratio ⁽¹⁾ | 9.52 | 9.62 | (10) bps | 10.13 | (61) bps |

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

Table of Contents

Results for the Six and Three Months Ended June 30, 2016

For the six months ended June 30, 2016, net income available to common shareholders was \$107.9 million, or \$0.85 per diluted common share, compared to net income available to common shareholders of \$104.6 million, or \$0.78 per diluted common share, for the six months ended June 30, 2015. For the three months ended June 30, 2016, net income available to common shareholders was \$57.9 million, or \$0.46 per diluted common share, compared to net income available to common shareholders of \$53.2 million, or \$0.40 per diluted common share, for the three months ended June 30, 2015. Adjusted net income available to common shareholders for the three months ended June 30, 2016 was \$61.6 million, or \$0.49 per diluted common share, compared to adjusted net income available to common shareholders for the three months ended June 30, 2015 of \$56.0 million, or \$0.42 per diluted common share (excluding the after-tax impact of loss on early extinguishment of debt, litigation contingency expenses, and restructuring charges). See reconciliation of "Non-GAAP Financial Measures" in this Report.

Credit quality metrics improved with the NPL ratio declining to 0.67% at June 30, 2016 from 0.78% at March 31, 2016 and 0.81% a year ago. ORE balances declined \$13.7 million during the first half of 2016 to \$33.3 million at June 30, 2016. Total non-performing assets were \$187.4 million at June 30, 2016, down by \$29.3 million, or 13.5%, from the previous quarter, and down \$52.7 million, or 22.0%, from a year ago. The NPA ratio declined 14 basis points and was 0.81% at June 30, 2016 compared to 0.95% at March 31, 2016 and 1.11% at June 30, 2015. Net charge-offs for the three months ended June 30, 2016 totaled \$6.1 million, or 0.11% of average loans annualized, compared to net charge-offs of \$7.4 million, or 0.13% of average loans annualized for the three months ended March 31, 2016 and net charge-offs of \$5.3 million, or 0.10% of average loans annualized, for the second quarter of 2015. Net charge-offs for the six months ended June 30, 2016 totaled \$13.5 million, or 0.12% of average loans annualized, compared to net charge-offs of \$17.6 million, or 0.17% of average loans annualized for the six months ended June 30, 2015. Synovus expects its net charge-off ratio to be between 10 and 20 basis points for the second half of 2016. Provision expense was \$6.7 million compared to provision expense of \$9.4 million in the prior quarter and \$6.6 million during the second quarter a year ago. For the six months ended June 30, 2016, provision expense was \$16.1 million compared to \$11.0 million for the same period a year ago. The decrease in provision expense in the second quarter of 2016 compared to the first quarter of 2016 was primarily attributable to an increase in the volume of recoveries. Synovus does, however, expect the level of recoveries to subside in the second half of the year, which could cause provision expense to increase modestly compared to the first half of the year.

Total revenues were \$289.3 million for the three months ended June 30, 2016, up \$8.1 million, or 2.9%, sequentially and up 7.0% vs. the same time period in 2015. Net interest income was \$221.4 million for the three months ended June 30, 2016, up \$3.3 million, or 1.5%, compared to the three months ended March 31, 2016 and up \$17.8 million, or 8.7%, compared to the three months ended June 30, 2015. The net interest margin was 3.27%, unchanged from the previous quarter and up 12 basis points from 3.15% for the second quarter of 2015. The yield on earning assets was 3.73% and the effective cost of funds was 0.46% for the second quarter 2016, both unchanged from the previous quarter. The yield on loans was 4.15%, unchanged from the prior quarter. Synovus continues to expect that the increase in net interest income for the full year (in a flat rate environment as compared to 2015) will be 7.5% with the net interest margin possibly experiencing slight downward pressure during the third quarter of 2016.

Total non-interest income was \$67.9 million for the three months ended June 30, 2016, up \$4.7 million, or 7.5% compared to the three months ended March 31, 2016 and down 1.4% vs. the three months ended June 30, 2015. Adjusted non-interest income (excludes investment securities gains, net) was up 7.6% vs. the first quarter of 2016 and up 1.6% vs. the second quarter of 2015. Adjusted non-interest expense was \$182.4 million for the three months ended June 30, 2016, up \$3.1 million, or 1.7%, compared to the three months ended March 31, 2016 and up \$9.4 million, or 5.4%, compared to the three months ended June 30, 2015. Advertising expense for the three months ended June 30, 2016 was up \$4.9 million and \$4.5 million compared to the first quarter of 2016 and the second quarter of 2015, respectively, as a result of Synovus increasing brand awareness activities. The adjusted efficiency ratio improved to 61.54% for the second quarter of 2016 compared to 61.62% for the second quarter of 2015. Synovus remains focused on achieving its long-term goal of an adjusted efficiency ratio below 60%. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Results for the three months ended June 30, 2016 included \$5.8 million in restructuring charges with \$4.8 million of these charges related to Synovus' continued corporate real estate optimization activities. Synovus is also continuing to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and during the three months ended June 30, 2016, identified three branch closures to be completed by year-end, which are in addition to the four branches identified during the first quarter of 2016. After these closures, the branch network will consist of 250 locations by year-end, which will represent a 22.6% reduction from year-end 2010.

At June 30, 2016, total loans outstanding were \$23.06 billion, a sequential quarter increase of \$302.7 million, or 5.3% annualized, and a year-over-year increase of \$1.57 billion, or 7.3%. Growth for the quarter, compared to the previous quarter, consisted of retail loan growth of \$261.0 million, or 24.1% annualized, and C&I loan growth of \$146.0 million, or 5.4% annualized, partially offset by a planned decline in CRE loans of \$105.9 million, or 5.6% annualized, primarily due to the selective pull-back in construction lending. Total average loans, net grew \$349.8 million, or 6.3% annualized, from the previous quarter and \$1.65 billion, or 7.8%, as compared to the second quarter of 2015.

Table of Contents

At June 30, 2016, total deposits were \$23.93 billion, up \$476.0 million, or 8.2% annualized, compared to the previous quarter and up \$1.28 billion, or 5.6%, compared to June 30, 2015. Brokered deposits increased \$291.6 million vs. the first quarter of 2016 and reflect the addition of a new bank deposit sweep product, being offered to our Synovus Securities customers, which added \$307.7 million in new deposits as of June 30, 2016. Total average deposits for the three months ended June 30, 2016 were \$23.61 billion, up \$397.8 million, or 6.9% annualized, from the previous quarter and up \$1.14 billion, or 5.1%, compared to the second quarter of 2015. Period-end core deposits excluding SCM deposits increased \$233.8 million, or 4.7%, sequentially and \$1.27 billion, or 6.7%, compared to the prior year. Average core deposits excluding SCM deposits increased \$316.7 million, or 6.5% annualized, from the previous quarter and grew \$1.36 billion, or 7.3%, over the second quarter of 2015. See reconciliation of "Non-GAAP Financial Measures" in this Report.

During January 2016, Synovus repurchased \$124.7 million of its subordinated notes maturing in 2017 in conjunction with Synovus' cash tender offer that commenced on December 23, 2015 and expired on January 22, 2016. Results for the six months ended June 30, 2016 included a \$4.7 million pre-tax loss relating to the January tender offer.

Synovus continued to execute on the \$300 million share repurchase program announced in October 2015, acquiring \$60.5 million of common stock during the second quarter of 2016 and \$110.9 million of common stock during the first quarter of 2016. From inception of the existing \$300 million share repurchase program announced in October 2015 through August 2, 2016, Synovus has repurchased \$244.5 million of common stock, reducing the total share count by 8.3 million. Management currently expects to complete the \$300 million share repurchase program on or prior to year-end 2016, with timing of repurchases dependent on market conditions and other factors. Additionally, during the six months ended June 30, 2016, Synovus declared common stock dividends totaling \$0.24 per share, representing a 20% increase from the dividends declared during the same time period of 2015. Total shareholders' equity was \$2.95 billion at June 30, 2016, compared to \$3.00 billion at December 31, 2015, and \$3.00 billion at June 30, 2015.

Changes in Financial Condition

During the six months ended June 30, 2016, total assets increased \$667.0 million from \$28.79 billion at December 31, 2015 to \$29.46 billion. The principal component of this increase was an increase in loans, net of deferred fees and costs, of \$631.3 million. An increase of \$683.3 million in deposits provided the funding source for the growth in loans.

Table of Contents

Loans

The following table compares the composition of the loan portfolio at June 30, 2016, December 31, 2015, and June 30, 2015.

| (dollars in thousands) | June 30, 2016 | December 31, 2015 | June 30, 2016 vs. December 31, 2015 | | June 30, 2016 vs. June 30, 2015 | |
|---|---------------|-------------------|-------------------------------------|---|---------------------------------|--------|
| | | | Change ⁽¹⁾ | % | Change | % |
| Investment properties | \$5,920,661 | 5,751,631 | 5.9 | % | \$5,403,394 | 9.6 % |
| 1-4 family properties | 1,127,780 | 1,129,156 | (0.2) |) | 1,113,700 | 1.3 |
| Land acquisition | 459,254 | 513,981 | (21.4) |) | 554,501 | (17.2) |
| Total commercial real estate | 7,507,695 | 7,394,768 | 3.1 | | 7,071,595 | 6.2 |
| Commercial, financial and agricultural | 6,596,835 | 6,453,180 | 4.5 | | 6,243,259 | 5.7 |
| Owner-occupied | 4,358,595 | 4,318,950 | 1.8 | | 4,161,268 | 4.7 |
| Total commercial and industrial | 10,955,430 | 10,772,130 | 3.4 | | 10,404,527 | 5.3 |
| Home equity lines | 1,657,109 | 1,689,914 | (3.9) |) | 1,683,651 | (1.6) |
| Consumer mortgages | 2,132,114 | 1,938,683 | 20.1 | | 1,793,752 | 18.9 |
| Credit cards | 236,034 | 240,851 | (4.0) |) | 246,724 | (4.3) |
| Other retail loans | 600,153 | 423,318 | 84.0 | | 323,741 | 85.4 |
| Total retail | 4,625,410 | 4,292,766 | 15.6 | | 4,047,868 | 14.3 |
| Total loans | 23,088,535 | 22,459,664 | 5.6 | | 21,523,990 | 7.3 |
| Deferred fees and costs, net | (27,627) | (30,099) | (16.5) |) | (29,121) | (5.1) |
| Total loans, net of deferred fees and costs | \$23,060,908 | 22,429,565 | 5.7 | % | \$21,494,869 | 7.3 % |

⁽¹⁾ Percentage changes are annualized

At June 30, 2016, total loans were \$23.06 billion, an increase of \$631.3 million, or 5.7% annualized, and \$1.56 billion or 7.3%, compared to December 31, 2015 and June 30, 2015, respectively. Annual percentage loan growth for 2016 is currently expected to be in the mid single-digits.

Commercial Loans

Total commercial loans (which are comprised of C&I and CRE loans) at June 30, 2016 were \$18.46 billion, or 80.0% of the total loan portfolio, compared to \$18.17 billion, or 80.9%, at December 31, 2015 and \$17.48 billion, or 81.2%, at June 30, 2015.

At June 30, 2016 and December 31, 2015, Synovus had 28 and 24 commercial loan relationships, respectively, with total commitments of \$50 million or more (including amounts funded). The average funded balance of these relationships at June 30, 2016 and December 31, 2015 was \$32 million and \$35 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 dispersed throughout a diverse group of industries in the Southeast, including health care and social assistance, retail trade, manufacturing, real-estate related industries, finance and insurance, and wholesale trade as shown in the following table (aggregated by NAICS code). 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 originated 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' lending policy, each loan undergoes a detailed underwriting process which incorporates uniform underwriting standards and oversight in proportion to the size and complexity of the lending relationship. As of June 30, 2016, approximately 93% of Synovus' C&I loans are secured by real estate, business equipment, inventory, and other types of collateral. C&I loans grew \$183.3 million, or 3.4% annualized, from December 31, 2015 and

\$550.9 million, or 5.3%, from June 30, 2015. Annual percentage C&I loan growth is currently expected to be in the mid single-digits for the full year.

Table of Contents

| Commercial and Industrial Loans by Industry (dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|---|---------------|------------------|-------------------|------------------|
| | Amount | % ⁽¹⁾ | Amount | % ⁽¹⁾ |
| Health care and social assistance | \$2,366,349 | 21.6 % | \$2,242,852 | 20.8 % |
| Retail trade | 881,289 | 8.1 | 868,834 | 8.0 |
| Manufacturing | 877,318 | 8.0 | 880,010 | 8.1 |
| Real estate and rental and leasing | 742,238 | 6.8 | 685,310 | 6.4 |
| Finance and insurance | 726,490 | 6.6 | 736,492 | 6.8 |
| Wholesale trade | 678,221 | 6.2 | 672,167 | 6.2 |
| Professional, scientific, and technical services | 629,491 | 5.8 | 628,626 | 5.8 |
| Real estate other | 520,601 | 4.8 | 506,328 | 4.7 |
| Accommodation and food services | 485,603 | 4.4 | 490,626 | 4.6 |
| Construction | 442,025 | 4.0 | 406,287 | 3.8 |
| Agriculture, forestry, fishing, and hunting | 384,948 | 3.5 | 394,587 | 3.7 |
| Transportation and warehousing | 336,251 | 3.1 | 336,048 | 3.1 |
| Information | 242,089 | 2.2 | 234,893 | 2.2 |
| Administration, support, waste management, and remediation | 234,595 | 2.1 | 211,227 | 2.0 |
| Educational services | 199,018 | 1.8 | 210,656 | 2.0 |
| Other services | 834,023 | 7.6 | 859,315 | 8.0 |
| Other industries | 374,881 | 3.4 | 407,872 | 3.8 |
| Total commercial and industrial loans | \$10,955,430 | 100.0% | \$10,772,130 | 100.0% |

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

At June 30, 2016, \$6.60 billion of C&I loans, or 28.6% 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.

At June 30, 2016, \$4.36 billion of C&I loans, or 18.9% 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 collateral. These loans are predominately secured by owner-occupied properties and other real estate, and to a lesser extent, other types of collateral.

Commercial Real Estate Loans

CRE loans consist of investment properties loans, 1-4 family properties loans, and land acquisition loans. These loans are subject to the same uniform lending policies referenced above. CRE loans increased \$112.9 million, or 3.1% annualized, from December 31, 2015 and \$436.1 million, or 6.2%, from June 30, 2015, driven by growth in investment properties loans partially offset by planned reductions in land acquisition loans. Synovus currently expects that CRE loans for the second half of the year will be flat to slightly down from June 30, 2016.

Investment Properties Loans

Total investment properties loans as of June 30, 2016 were \$5.92 billion, or 78.9% of the total CRE portfolio and 25.6% of the total loan portfolio, compared to \$5.75 billion, or 77.8% of the total CRE portfolio, and 25.6% of the total loan portfolio at December 31, 2015, an increase of \$169.0 million, or 5.9% annualized, driven by strong growth in the multi-family and office buildings categories. 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. 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, 2016, 1-4 family properties loans totaled \$1.13 billion, or 15.0% of the total CRE portfolio and 4.9% of the total loan portfolio, compared to \$1.13 billion, or 15.3% of the total CRE portfolio and 5.0% of the total loan portfolio at December 31, 2015. 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

50

Table of Contents

loans. These properties are primarily located in the markets served by Synovus. Construction and residential development loans are generally interest-only loans and typically have maturities of three years or less, and commercial mortgage loans generally have maturities of three to five years, with amortization periods of up to fifteen to twenty years.

Land Acquisition Loans

Total land acquisition loans were \$459.3 million at June 30, 2016, or 2.0% of the total loan portfolio, a decline of \$54.7 million, or 21.4% annualized, from December 31, 2015. 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). Synovus continues to reduce its exposure to these types of loans.

Retail Loans

Retail loans at June 30, 2016 totaled \$4.63 billion, representing 20.0% of the total loan portfolio compared to \$4.29 billion, or 19.1% of the total loan portfolio at December 31, 2015, and \$4.05 billion, or 18.8% of the total loan portfolio at June 30, 2015. Retail loans increased \$332.6 million, or 15.6% annualized, from December 31, 2015 and \$577.5 million, or 14.3%, from June 30, 2015 due primarily to initiatives to grow this portion of the loan portfolio. Consumer mortgages grew \$193.4 million or 20.1% annualized, from December 31, 2015, and \$338.4 million, or 18.9%, from June 30, 2015 primarily due to continued recruiting of mortgage loan originators in strategic markets throughout the footprint as well as enhanced origination efforts, which also create additional cross-selling opportunities for other products. Other retail loans increased \$176.8 million, or 84.0% annualized, from December 31, 2015, and \$276.4 million, or 85.4%, from June 30, 2015 primarily due to our two new lending partnerships. One lending partnership, which began near the end of the third quarter of 2015, is a point-of-sale program that provides merchants and contractors nationwide with the ability to offer term financing to their customers for major purchases and home improvement projects. The other lending partnership began in the second quarter of 2016 and primarily provides qualified borrowers the ability to refinance student loan debt. As of June 30, 2016, these partnerships had combined balances of \$253.9 million, and management currently projects that these lending partnerships will not exceed 2-3% of the total loan portfolio in future periods.

The retail loan portfolio consists of a wide variety of loan products offered through Synovus' banking network, including first and second residential mortgages, home equity lines, credit card loans, automobile loans, 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 home equity lines, consumer mortgage, and credit card loans are to in-market borrowers with no indirect lending products, which increases opportunities for cross-selling. Credit card loans totaled \$236.0 million at June 30, 2016, including \$59.4 million of commercial credit card loans. The commercial credit card loans relate to Synovus' commercial 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, 2016). At June 30, 2016 and December 31, 2015, weighted-average FICO scores within the residential real estate portfolio were 764 and 769, respectively, for HELOCs and 766 and 759, respectively, for consumer mortgages. Conservative debt-to-income ratios (average HELOC debt to income ratio of loans originated) were maintained in the second quarter of 2016 at 30.7% compared to 31.6% in the second quarter of 2015. HELOC utilization rates (total amount outstanding as a percentage of total available lines) of 59.1% and 60.2% at June 30, 2016 and December 31, 2015, respectively, and loan-to-value ratios based upon prudent guidelines were maintained to ensure consistency with Synovus' overall risk philosophy. At June 30, 2016, 35% of home equity line balances were secured by a first lien, and 65% 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 to retail loans 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, 2016. Management reviews the refreshed scores to monitor the credit risk migration of the retail loan portfolio, which impacts the allowance for loan losses. Revolving lines of credit are regularly reviewed for any material change in financial circumstances, and when appropriate, the line of credit may be suspended. FICO scores within the retail residential real estate portfolio have generally remained stable over the last several years.

Table of Contents

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 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, 2016, it had \$108.8 million of higher-risk consumer loans (2.4% of the retail portfolio and 0.5% of the total loan portfolio) compared to \$123.7 million as of June 30, 2015. Included in this amount as of June 30, 2016 is approximately \$12 million of accruing TDRs. Synovus makes retail lending decisions based upon a number of key credit risk determinants including FICO scores as well as bankruptcy predictor scores, loan-to-value, and debt-to-income ratios.

Deposits

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

Composition of Average Deposits

| (dollars in thousands) | Three Months Ended | | | | | | | |
|---|--------------------|------------------|-------------------|------------------|----------------------|------------------|------------------|------------------|
| | June 30, 2016 | % ⁽¹⁾ | March 31, 2016 | % ⁽¹⁾ | December 31, 2015 | % ⁽¹⁾ | June 30, 2015 | % ⁽¹⁾ |
| Non-interest bearing demand deposits | \$6,930,336 | 29.4 % | 6,812,223 | 29.4 | 6,846,200 | 29.5 | 6,436,167 | 28.7 |
| Interest bearing demand deposits | 4,233,310 | 17.9 | 4,198,738 | 18.1 | 4,117,116 | 17.7 | 3,919,401 | 17.4 |
| Money market accounts, excluding brokered deposits | 7,082,759 | 30.0 | 7,095,778 | 30.6 | 7,062,517 | 30.4 | 6,466,610 | 28.8 |
| Savings deposits | 746,225 | 3.2 | 722,172 | 3.1 | 692,536 | 3.0 | 675,260 | 3.0 |
| Time deposits, excluding brokered deposits | 3,278,396 | 13.9 | 3,286,113 | 14.1 | 3,340,794 | 14.3 | 3,412,733 | 15.2 |
| Brokered deposits | 1,337,001 | 5.6 | 1,095,239 | 4.7 | 1,185,093 | 5.1 | 1,555,931 | 6.9 |
| Total average deposits | \$23,608,027 | 100.0 % | 23,210,263 | 100.0 | 23,244,256 | 100.0 | 22,466,102 | 100.0 |
| Average core deposits ⁽²⁾ | 22,271,027 | 94.3 | 22,115,024 | 95.3 | 22,059,163 | 94.9 | 20,910,171 | 93.1 |
| Average core deposits excluding average SCM deposits ⁽²⁾ | \$19,990,988 | 84.7 % | 19,674,275 | 84.8 | 19,755,885 | 85.0 | 18,632,388 | 82.9 |

⁽¹⁾ Deposits balance in each category expressed as percentage of total deposits.

⁽²⁾ See reconciliation of "Non-GAAP Financial Measures" in this Report.

During the second quarter of 2016, total average deposits increased \$397.8 million, or 6.9% annualized, compared to the first quarter of 2016, and increased \$1.14 billion, or 5.1%, compared to the second quarter of 2015. Average core deposits were up \$156.0 million, or 2.8% annualized, compared to the previous quarter, and up \$1.36 billion, or 6.5%, compared to the second quarter a year ago. The increase in average deposits for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 was largely due to growth in money market accounts and non-interest bearing demand products.

Average core deposits excluding average SCM deposits for the three months ended June 30, 2016 increased \$316.7 million, or 6.5% annualized, compared to the prior quarter and grew \$1.36 billion, or 7.3%, over the second quarter of 2015. Period-end core deposits excluding SCM deposits as of June 30, 2016 increased \$233.8 million, or 4.7% annualized, sequentially and \$1.27 billion, or 6.7%, compared to June 30, 2015. Average non-interest bearing demand deposits as a percentage of total average deposits were 29.4% for the three months ended June 30, 2016, compared to 29.4% for the three months ended March 31, 2016, and 28.7% for the three months ended June 30, 2015. We continue to expect that our deposit strategy will yield core deposit growth which will support loan growth. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Average time deposits of \$100,000 and greater for the three months ended June 30, 2016, March 31, 2016, and June 30, 2015 were \$2.90 billion, \$2.79 billion, and \$3.43 billion, respectively, and included average brokered time deposits of \$885.6 million, \$780.2 million, and \$1.37 billion, respectively. These larger deposits represented 12.3%,

12.0%, and 15.3% of total average deposits for the three months ended June 30, 2016, March 31, 2016, and June 30, 2015, respectively, and included brokered time deposits which represented 3.8%, 3.4%, and 6.1% of total average deposits for the three months ended June 30, 2016, March 31, 2016, and June 30, 2015, respectively.

During May 2016, Synovus launched a new bank deposit sweep product, which resulted in the addition of approximately 20,000 deposit accounts from existing customers of Synovus Securities, Synovus' wholly-owned subsidiary. These customers

Table of Contents

previously had their cash balances invested in mutual funds with an unaffiliated institution. Synovus' new product provides added benefits to our customers because it provides FDIC insurance coverage (up to the \$250,000 FDIC insurance limit) while also providing a small increase in the rate earned on such deposits. The total aggregate balance of these accounts was approximately \$293 million when the product was launched in May 2016, and was \$307.7 million as of June 30, 2016. \$139.3 million of the sequential quarter increase in average brokered deposits is due to balances from this product. Synovus expects that these balances will remain stable, with gradual increases over time. During the second quarter of 2016, total average brokered deposits represented 5.6% of Synovus' total average deposits compared to 4.7% and 6.9% of total average deposits the previous quarter and the second quarter a year ago, respectively.

Non-interest Income

Non-interest income for the six and three months ended June 30, 2016 was \$131.0 million and \$67.9 million, respectively, down \$3.7 million, or 2.7%, and down \$946 thousand, or 1.4%, compared to the six and three months ended June 30, 2015, respectively. Adjusted non-interest income, which excludes net investment securities gains was down \$1.0 million, or 0.8%, for the six months ended June 30, 2016, compared to the same period a year ago, and up \$1.0 million, or 1.6%, for the three months ended June 30, 2016 compared to the second quarter of 2015. See reconciliation of "Non-GAAP Financial Measures" in this Report.

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

| Non-interest Income (in thousands) | Six Months Ended June 30, | | | Three Months Ended June 30, | | |
|---|---------------------------|---------|-------------|--------------------------------|--------|-------------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Service charges on deposit accounts | \$39,950 | 38,928 | 2.6 % | \$20,240 | 19,795 | 2.2 % |
| Fiduciary and asset management fees | 22,854 | 23,414 | (2.4) | 11,580 | 11,843 | (2.2) |
| Brokerage revenue | 13,821 | 14,032 | (1.5) | 7,338 | 6,782 | 8.2 |
| Mortgage banking income | 11,425 | 13,995 | (18.4) | 5,941 | 7,511 | (20.9) |
| Bankcard fees | 16,718 | 16,576 | 0.9 | 8,346 | 8,499 | (1.8) |
| Investment securities gains, net | 67 | 2,710 | (97.5) | — | 1,985 | nm |
| Other fee income | 10,084 | 9,851 | 2.4 | 5,280 | 4,605 | 14.7 |
| Other non-interest income | 16,114 | 15,181 | 6.1 | 9,161 | 7,812 | 17.3 |
| Total non-interest income | \$131,033 | 134,687 | (2.7)% | \$67,886 | 68,832 | (1.4)% |

Principal Components of Non-interest Income

Service charges on deposit accounts for the six and three months ended June 30, 2016 were up \$1.0 million, or 2.6%, and up \$445 thousand, or 2.2%, respectively, compared to the same time periods in 2015. Service charges on deposit accounts consist of NSF fees, account analysis fees, and all other service charges. NSF fees were \$18.3 million and \$9.2 million for the six and three months ended June 30, 2016, respectively, an increase of \$441 thousand, or 2.5%, and a slight decline of \$18 thousand, or 0.2%, compared to the six and three months ended June 30, 2015, respectively. The increase for the first half of 2016 compared to the first half of 2015 is primarily due to an increase in overdraft service utilization rates and higher Regulation E opt-in rates during the first quarter of 2016 compared to the first quarter of 2015. Additionally, the first quarter included the benefit of one more business day compared to the same time period the prior year. Account analysis fees were \$12.0 million and \$6.2 million for the six and three months ended June 30, 2016, respectively, up \$666 thousand, or 5.9%, and \$589 thousand, or 10.5%, compared to the six and three months ended June 30, 2015, respectively, largely due to fee increases to align more closely with market rates. All other service charges on deposit accounts, which consist primarily of monthly fees on retail demand deposit and saving accounts, for the six and three months ended June 30, 2016 were \$9.6 million and \$4.9 million, respectively, down \$85 thousand, or 0.9%, and \$125 thousand, or 2.5%, compared to the same periods in 2015, respectively.

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 declined \$560 thousand, or 2.4%, and \$263 thousand, or 2.2%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015. At June 30, 2016, the market value of assets under management was \$11.27 billion, an increase of 4.9% from June 30, 2015.

Table of Contents

Brokerage revenue, which consists primarily of brokerage commissions, was \$13.8 million and \$7.3 million for the six and three months ended June 30, 2016, respectively. Brokerage revenue for the three months ended June 30, 2016 increased \$855 thousand, or 13.2%, compared to the first quarter of 2016 and increased \$556 thousand, or 8.2%, compared to the three months ended June 30, 2015.

Mortgage banking income was \$11.4 million and \$5.9 million for the six and three months ended June 30, 2016, respectively, compared to \$14.0 and \$7.5 million for the same periods in 2015, respectively. The decline in mortgage banking income was primarily due to a higher proportion of portfolio originations (vs. held for sale) as well as a decline in refinancing volume.

Bankcard fees totaled \$16.7 million and \$8.3 million for the six and three months ended June 30, 2016, respectively, compared to \$16.6 million and \$8.5 million for the same periods in 2015, respectively. Bankcard fees consist primarily of credit card interchange fees and debit card interchange fees. Debit card interchange fees were \$8.5 million, up \$305 thousand, or 3.7%, and \$4.3 million, up \$99 thousand, or 2.3%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015. Credit card interchange fees were \$11.2 million, down \$361 thousand, or 3.1%, and \$6.0 million, down \$249 thousand, or 4.2%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015.

Other fee income includes fees for letters of credit and unused lines of credit, safe deposit box fees, access fees for automated teller machine use, customer swap dealer fees, and other service charges. Other fee income increased \$233 thousand, or 2.4%, and \$675 thousand, or 14.7%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015, due primarily to an increase in volume with increases in fees from higher levels of unused lines of credit and higher levels of government guaranteed loan servicing fees.

The main components of other non-interest income are income from company-owned life insurance policies, gains from sales of government guaranteed loans, insurance commissions, card sponsorship fees, and other miscellaneous items. The increase of \$933 thousand and \$1.3 million during the six and three months ended June 30, 2016, respectively, compared to the same time periods in 2015, included an increase of \$254 thousand and \$606 thousand, respectively, from net gains on private equity investments. Additionally, the second quarter of 2016 included a \$669 thousand gain from a BOLI death benefit. Gains from sales of government guaranteed loans were \$1.4 million and \$716 thousand for the six and three months ended June 30, 2016, respectively, compared to \$2.8 million and \$1.4 million for the six and three months ended June 30, 2015, respectively. For the full year, Synovus currently expects that these gains will approximate the \$5.4 million in gains realized in 2015, which would represent approximately \$4 million in gains for the second half of 2016.

Non-interest Expense

Non-interest expense for the six and three months ended June 30, 2016 was \$376.8 million and \$188.6 million, respectively, compared to \$356.7 million and \$177.8 million for the six and three months ended June 30, 2015, respectively. Adjusted non-interest expense for the six and three months ended June 30, 2016, which excludes restructuring charges, loss on early extinguishment of debt, litigation contingency expense, and Visa indemnification charges, increased \$10.0 million, or 2.8%, and \$9.4 million, or 5.4%, compared to the same periods in 2015, respectively. Synovus expects adjusted non-interest expense for the year ending December 31, 2016 to be slightly up compared to 2015. See "Non-GAAP Financial Measures" in this Report for applicable reconciliation.

Table of Contents

The following table summarizes the components of non-interest expense for the six and three months ended June 30, 2016 and 2015.

Non-interest Expense

| (in thousands) | Six Months Ended June 30, | | | Three Months Ended June 30, | | |
|--|---------------------------|---------|----------|-----------------------------|---------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Salaries and other personnel expense | \$198,419 | 191,054 | 3.9 % | \$97,061 | 94,565 | 2.6 % |
| Net occupancy and equipment expense | 53,360 | 52,713 | 1.2 | 26,783 | 26,541 | 0.9 |
| Third-party processing expense | 22,814 | 21,015 | 8.6 | 11,698 | 10,672 | 9.6 |
| FDIC insurance and other regulatory fees | 13,344 | 13,725 | (2.8) | 6,625 | 6,767 | (2.1) |
| Professional fees | 13,307 | 12,011 | 10.8 | 6,938 | 6,417 | 8.1 |
| Advertising expense | 9,761 | 6,309 | 54.7 | 7,351 | 2,865 | 156.6 |
| Foreclosed real estate expense, net | 7,272 | 13,847 | (47.5) | 4,588 | 4,351 | 5.4 |
| Loss on early extinguishment of debt | 4,735 | — | nm | — | — | — |
| Restructuring charges, net | 6,981 | (102) | nm | 5,841 | 5 | nm |
| Other operating expenses | 46,851 | 46,141 | 1.5 | 21,726 | 25,623 | (15.2) |
| Total non-interest expense | \$376,844 | 356,713 | 5.6 % | \$188,611 | 177,806 | 6.1 % |

Salaries and other personnel expenses increased \$7.4 million, or 3.9%, and \$2.5 million, or 2.6%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015, primarily due to annual merit increases and higher incentive compensation. These increases were somewhat offset by a decline in health insurance expense and the decrease in salaries and other personnel expense resulting from the decline of 62, or 1.4%, in total headcount at June 30, 2016 vs. June 30, 2015. The decline in headcount vs. a year ago reflects Synovus' continued implementation of efficiency initiatives.

Net occupancy and equipment expense was up slightly by \$647 thousand, or 1.2%, and \$242 thousand, or 0.9%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015. During the first quarter of 2016, Synovus opened a branch prototype in Jacksonville, Florida which is designed to allow for faster service for routine transactions while providing an enhanced customer experience. This was the third new branch prototype opened since June of last year. Synovus continues to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and during the three months ended June 30, 2016, identified three branch closures to be completed by year-end, which are in addition to the four branches identified during the first quarter of 2016. After these closures, the branch network will consist of 250 locations by year-end, which will represent a 22.6% reduction from year-end 2010.

Third-party processing expense includes all third-party core operating system and processing charges. Third-party processing expense increased \$1.8 million, or 8.6%, and \$1.0 million, or 9.6%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015, driven by investments in technology and increases in transaction volume.

FDIC insurance and other regulatory fees declined \$381 thousand, or 2.8%, and \$142 thousand, or 2.1%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015. On March 15, 2016, the FDIC approved a final rule to increase the DIF to the statutorily required minimum level of 1.35 percent. Congress, in the Dodd-Frank Act, increased the minimum for the DIF reserve ratio, the ratio of the amount in the fund to insured deposits, from 1.15 percent to 1.35 percent and required that the ratio reach that level by September 30, 2020. Further, the Dodd-Frank Act also made banks with \$10 billion or more in total assets responsible for the increase from 1.15 percent to 1.35 percent. Under a rule adopted by the FDIC in 2011, regular assessment rates for all banks will decline when the reserve ratio reaches 1.15 percent, which the FDIC expects will occur during 2016. Banks with total assets of less than \$10 billion will have substantially lower assessment rates under the 2011 rule. The final rule will impose on banks with at least \$10 billion in assets a surcharge of 4.5 cents per \$100 of their assessment base, after making

certain adjustments. The FDIC expects the reserve ratio will likely reach 1.35 percent after approximately two years of payments of the surcharges. The final rule became effective on July 1, 2016. If the reserve ratio reaches 1.15 percent before that date, surcharges would begin July 1. If the reserve ratio has not reached 1.15 percent by that date, surcharges will begin the first quarter after the reserve ratio reaches 1.15 percent. Synovus expects its FDIC insurance cost to remain relatively flat to current levels for the remainder of the year since regular assessment rates will decline at approximately the same time as the surcharge assessment becomes effective.

Professional fees for the six and three months ended June 30, 2016 were up \$1.3 million, or 10.8%, and \$521 thousand, or 8.1%, respectively, compared to the same periods in 2015, driven by increases in consulting expense.

Table of Contents

Advertising expense for the second quarter was up \$4.9 million and \$4.5 million compared to the first quarter of 2016 and the second quarter of 2015, respectively, as a result of Synovus increasing brand awareness activities. Synovus expects that advertising expense for the second half of 2016 will approximate the first half of 2016.

Foreclosed real estate expense declined \$6.6 million, or 47.5%, and was up slightly by \$237 thousand, or 5.4%, for the six and three months ended June 30, 2016, respectively, compared to the same periods in 2015. The first half of 2015 expense reflects \$10.0 million in fair value adjustments compared to \$4.1 million in fair value adjustments during the first half of 2016 reflecting more stable ORE values. The increase in foreclosed real estate expense for the three months ended June 30, 2016 compared to the same period a year ago was primarily due to disposition-related costs. During January 2016, Synovus repurchased \$124.7 million of its subordinated notes maturing in 2017 in conjunction with Synovus' cash tender offer that commenced on December 23, 2015 and expired on January 22, 2016. Results for the six months ended June 30, 2016 included a \$4.7 million pre-tax loss relating to the January tender offer.

For the three months ended June 30, 2016, Synovus recorded restructuring charges of \$5.8 million with \$4.8 million of these charges related to Synovus' continued corporate real estate optimization activities. Synovus continues to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and identified during the second quarter three branch consolidations to be completed by year-end, which will be in addition to the four branches closed earlier this year. Restructuring charges associated with branch consolidations identified during 2016 totaled \$1.0 million and \$1.1 million during the second and first quarter of 2016, respectively.

Other operating expenses for the six and three months ended June 30, 2016 were reduced by a \$2.4 million gain related to the purchase of an additional interest in an existing NPL at a discount that was subsequently paid in full. Other operating expenses also included litigation contingency expense of \$2.7 million for the six months ended June 30, 2016 that was recorded during the first quarter of 2016 and \$4.4 million for the six and three months ended June 30, 2015.

The adjusted efficiency ratio improved to 61.54% for the second quarter of 2016 compared to 61.62% for the second quarter of 2015. Synovus remains focused on achieving its long-term goal of an adjusted efficiency ratio below 60%. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Income Tax Expense

Income tax expense was \$64.8 million and \$33.6 million for the six and three months ended June 30, 2016, respectively, representing effective tax rates of 36.4% and 35.7% during the respective periods. For the full year 2016, Synovus expects an effective tax rate in the 36% to 37% range.

Table of Contents

CREDIT QUALITY, CAPITAL RESOURCES AND LIQUIDITY

Credit Quality

Synovus continuously monitors the quality of its loan portfolio by industry, property type, geography, as well as credit quality metrics and maintains an allowance for loan losses that management believes is sufficient to absorb probable losses inherent in its loan portfolio. Credit quality metrics have remained favorable to improving during the first six months of 2016.

The table below includes selected credit quality metrics.

Credit Quality Metrics

| (dollars in thousands) | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|------------------|----------------------|------------------|
| Non-performing loans | \$154,072 | 168,370 | 173,638 |
| Other real estate | 33,289 | 47,030 | 66,449 |
| Non-performing assets | \$187,361 | 215,400 | 240,087 |
| Non-performing loans as a % of total loans | 0.67 | % 0.75 | 0.81 |
| Non-performing assets as a % of total loans, other loans held for sale, and ORE | 0.81 | 0.96 | 1.11 |
| Loans 90 days past due and still accruing | \$5,964 | 2,621 | 4,832 |
| As a % of total loans | 0.03 | % 0.01 | 0.02 |
| Total past due loans and still accruing | \$55,716 | 47,912 | 50,860 |
| As a % of total loans | 0.24 | % 0.21 | 0.24 |
| Net charge-offs - Quarter | \$6,133 | 3,425 | 5,306 |
| Net charge-offs/average loans - Quarter | 0.11 | % 0.06 | 0.10 |
| Net charge-offs - Year | \$13,490 | 27,831 | 17,649 |
| Net charge-offs/average loans - Year | 0.12 | % 0.13 | 0.17 |
| Provision for loan losses - Quarter | \$6,693 | 5,021 | 6,636 |
| Provision for loan losses - Year | 16,070 | 19,010 | 11,034 |
| Allowance for loan losses | 255,076 | 252,496 | 254,702 |
| Allowance for loan losses as a % of total loans | 1.11 | % 1.13 | 1.18 |

Non-performing Assets

Total NPAs were \$187.4 million at June 30, 2016, a \$28.0 million, or 13.0%, decrease from \$215.4 million at December 31, 2015 and a \$52.7 million, or 22.0%, decrease from \$240.1 million at June 30, 2015. The year-over-year decline in non-performing assets was driven by the continued resolution of problem assets including workouts and dispositions. Total non-performing assets as a percentage of total loans, other loans held for sale, and other real estate were 0.81% at June 30, 2016 compared to 0.96% at December 31, 2015, and 1.11% at June 30, 2015.

Troubled Debt Restructurings

Accruing TDRs were \$205.2 million at June 30, 2016, compared to \$223.9 million at December 31, 2015 and \$268.5 million at June 30, 2015. Accruing TDRs declined \$18.7 million, or 8.4%, from December 31, 2015 and \$63.4 million, or 23.6%, from a year ago primarily due to lower TDR inflows, fewer TDRs having to retain the TDR designation upon subsequent renewal, refinance, or modification, and pay-offs. Consistent with regulatory guidance, a TDR will generally no longer be reported as a TDR after a period of performance which is generally a minimum of six months and after the loan has been reported as a TDR at a year-end reporting date, and if at the time of the modification, the interest rate was at market, considering the credit risk associated with the borrower.

At June 30, 2016, the allowance for loan losses allocated to these accruing TDRs was \$12.7 million compared to \$12.6 million at December 31, 2015 and \$15.3 million at June 30, 2015. Accruing TDRs are considered performing because they are performing in accordance with the restructured terms. At both June 30, 2016 and December 31, 2015, 99% of accruing TDRs were current. In addition, subsequent defaults on accruing TDRs (defaults defined as the earlier of the TDR being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments within twelve months of the TDR designation) have remained low, and consisted of only one

default with a recorded investment of \$92 thousand for the six months ended June 30, 2016 and two defaults with a recorded investment of \$115 thousand for the six months ended June 30, 2015.

Table of Contents

| Accruing TDRs by Risk Grade | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|-----------------------------|---------------|-------|-------------------|-------|---------------|-------|
| | Amount | % | Amount | % | Amount | % |
| (dollars in thousands) | | | | | | |
| Pass | \$64,314 | 31.3 | \$75,015 | 33.5 | \$86,968 | 32.4 |
| Special Mention | 33,744 | 16.5 | 40,365 | 18.0 | 24,980 | 9.3 |
| Substandard accruing | 107,107 | 52.2 | 108,493 | 48.5 | 156,594 | 58.3 |
| Total accruing TDRs | \$205,165 | 100.0 | \$223,873 | 100.0 | \$268,542 | 100.0 |

Accruing TDRs Aging by Portfolio Class

| (in thousands) | June 30, 2016 | | | |
|--|---------------|------------------------------|----------------------------|---------|
| | Current | 30-89 Days Past Due | 90+ Days Past Due | Total |
| Investment properties | \$33,430 | — | — | 33,430 |
| 1-4 family properties | 42,100 | — | — | 42,100 |
| Land acquisition | 14,133 | — | — | 14,133 |
| Total commercial real estate | 89,663 | — | — | 89,663 |
| Commercial, financial and agricultural | 28,814 | 399 | — | 29,213 |
| Owner-occupied | 51,299 | — | — | 51,299 |
| Total commercial and industrial | 80,113 | 399 | — | 80,512 |
| Home equity lines | 8,770 | 249 | — | 9,019 |
| Consumer mortgages | 19,107 | 891 | — | 19,998 |
| Credit cards | — | — | — | — |
| Other retail loans | 5,862 | 111 | — | 5,973 |
| Total retail | 33,739 | 1,251 | — | 34,990 |
| Total accruing TDRs | \$203,515 | 1,650 | — | 205,165 |

| (in thousands) | December 31, 2015 | | | |
|--|-------------------|------------------------------|----------------------------|---------|
| | Current | 30-89 Days Past Due | 90+ Days Past Due | Total |
| Investment properties | \$50,913 | — | — | 50,913 |
| 1-4 family properties | 43,931 | — | — | 43,931 |
| Land acquisition | 19,929 | 380 | — | 20,309 |
| Total commercial real estate | 114,773 | 380 | — | 115,153 |
| Commercial, financial and agricultural | 24,934 | 592 | 208 | 25,734 |
| Owner-occupied | 47,141 | 387 | — | 47,528 |
| Total commercial and industrial | 72,075 | 979 | 208 | 73,262 |
| Home equity lines | 9,575 | — | — | 9,575 |
| Consumer mortgages | 20,520 | 712 | — | 21,232 |
| Credit cards | — | — | — | — |
| Other retail loans | 4,459 | 192 | — | 4,651 |
| Total retail | 34,554 | 904 | — | 35,458 |
| Total accruing TDRs | \$221,402 | 2,263 | 208 | 223,873 |

Non-accruing TDRs were \$17.6 million at June 30, 2016 compared to \$47.4 million at December 31, 2015, a decrease of \$29.8 million, or 62.9%. Non-accruing TDRs may generally be returned to accrual status if there has been a period

of performance, consisting usually of at least a six month sustained period of repayment performance in accordance with the terms of the agreement.

Potential Problem Loans

Potential problem loans are defined by management as being certain performing loans with a well-defined weakness where there is known information about possible credit problems of borrowers which causes management to have concerns about the ability of such borrowers to comply with the present repayment terms of such loans. Potential problem commercial loans consist

Table of Contents

of commercial Substandard accruing loans but exclude loans 90 days past due and still accruing interest and accruing TDRs classified as Substandard since these loans are disclosed separately. Potential problem commercial loans were \$144.1 million at June 30, 2016 compared to \$181.0 million and \$216.5 million at December 31, 2015 and June 30, 2015, respectively. Synovus cannot predict at this time whether these potential problem loans ultimately will become non-performing loans or result in losses.

Net Charge-offs

Net charge-offs for the six months ended June 30, 2016 were 13.5 million, or 0.12% as a percentage of average loans annualized, a decrease of \$4.2 million, or 23.6%, compared to \$17.6 million, or 0.17%, as a percentage of average loans annualized for the six months ended June 30, 2015. The decline in net charge-offs was driven by fewer dispositions of distressed loans and lower impairment charge-offs on existing collateral dependent impaired loans. The net charge-off ratio for the second half of 2016 is expected to be in the 10 to 20 basis points range.

Provision for Loan Losses and Allowance for Loan Losses

For the six months ended June 30, 2016, the provision for loan losses was \$16.1 million, an increase of \$5.0 million, or 45.6%, compared to the six months ended June 30, 2015. The increase in the provision for loan losses was primarily attributable to the impact from updates to the allowance for loan losses factors.

The allowance for loan losses at June 30, 2016 was \$255.1 million, or 1.11% of total loans, compared to \$252.5 million, or 1.13% of total loans, at December 31, 2015 and \$254.7 million, or 1.18% of total loans, at June 30, 2015.

Capital Resources

Synovus is required to comply with the capital adequacy standards established by the Federal Reserve Board and our subsidiary bank, Synovus Bank, must comply with similar capital adequacy standards established by the FDIC. Synovus has always placed great emphasis on maintaining a solid capital base and continues to satisfy applicable regulatory capital requirements.

At June 30, 2016, Synovus' and Synovus Bank's capital levels each exceeded well-capitalized requirements currently in effect. The following table presents certain ratios used to measure Synovus and Synovus Bank's capitalization.

Capital Ratios

| (dollars in thousands) | June 30, 2016 | December 31, 2015 |
|---|---------------|-------------------|
| Tier 1 capital | | |
| Synovus Financial Corp. | \$2,627,572 | 2,660,016 |
| Synovus Bank | 3,145,265 | 3,136,132 |
| Common equity Tier 1 capital (transitional) | | |
| Synovus Financial Corp. | 2,616,181 | 2,660,016 |
| Synovus Bank | 3,145,265 | 3,136,132 |
| Total risk-based capital | | |
| Synovus Financial Corp. | 3,146,897 | 3,255,758 |
| Synovus Bank | \$3,402,134 | 3,390,764 |
| Tier 1 capital ratio | | |
| Synovus Financial Corp. | 10.06 | % 10.37 |
| Synovus Bank | 12.06 | 12.25 |
| Common equity Tier 1 ratio (transitional) | | |
| Synovus Financial Corp. | 10.01 | 10.37 |
| Synovus Bank | 12.06 | 12.25 |
| Total risk-based capital to risk-weighted assets ratio | | |
| Synovus Financial Corp. | 12.05 | 12.70 |
| Synovus Bank | 13.04 | 13.25 |
| Leverage ratio | | |
| Synovus Financial Corp. | 9.10 | 9.43 |
| Synovus Bank | 10.92 | 11.15 |
| Tangible common equity to tangible assets ratio ⁽¹⁾ | | |

Synovus Financial Corp.

9.52

9.90

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

59

Table of Contents

The Basel III rules became effective January 1, 2015 for Synovus and Synovus Bank, subject to a transition period for several aspects, including the capital conservation buffer and certain regulatory capital adjustments and deductions, as described below. Under the Basel III capital rules, the minimum capital requirements for Synovus and Synovus Bank include a common equity Tier 1 (CET1) ratio of 4.5%; Tier 1 capital ratio of 6%; total capital ratio of 8%; and leverage ratio of 4%. When fully phased-in on January 1, 2019, the Basel III capital rules include a capital conservation buffer of 2.5% that is added on top of each of the minimum risk-based capital ratios. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased-in over a three-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). As a financial holding company, Synovus and its subsidiary bank, Synovus Bank, are required to maintain capital levels required for a well-capitalized institution as defined by federal banking regulations. Under the Basel III capital rules, Synovus and Synovus Bank are well-capitalized if each has a CET1 ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a total risk-based capital ratio of 10% or greater, a leverage ratio of 5% or greater, and are not subject to any written agreement, order, capital directive, or prompt corrective action directive from a federal and/or state banking regulatory agency to meet and maintain a specific capital level for any capital measure. During the third quarter of 2015, Synovus completed its \$250 million share repurchase program which was announced on October 21, 2014 and expired on October 23, 2015. Under this program, Synovus repurchased 9.1 million shares of common stock through a combination of share repurchases under an accelerated share repurchase (ASR) agreement and open market transactions. Additionally, during the third quarter of 2015, Synovus' Board of Directors authorized a \$300 million share repurchase program to be completed over the next 15 months. During the fourth quarter of 2015, under the \$300 million share repurchase program, Synovus repurchased \$37.1 million, or 1.2 million shares, and during the first half of 2016 Synovus repurchased \$171.5 million, or 5.9 million shares. At June 30, 2016, the remaining authorization under this program was \$91.5 million and as of August 2, 2016, the remaining authorization under this program was \$55.5 million. Management currently expects to complete the \$300 million share repurchase program on or prior to year-end 2016, with timing of repurchases dependent on market conditions and other factors. On December 7, 2015, Synovus issued in a public offering \$250 million aggregate principal amount of subordinated notes due in 2025, for aggregate proceeds of \$246.6 million, net of debt issuance costs. Also during the fourth quarter of 2015, Synovus repurchased \$46.7 million of its 2017 subordinated notes in privately negotiated transactions which resulted in a pre-tax loss of \$1.5 million. Additionally, during January 2016, Synovus repurchased \$124.7 million of the 2017 subordinated notes in conjunction with Synovus' cash tender offer that commenced on December 23, 2015 and expired on January 22, 2016. Results for the six months ended June 30, 2016 included a \$4.7 million pre-tax loss relating to the January tender offer.

As of June 30, 2016, total disallowed deferred tax assets were \$281.8 million or 1.08% of risk-weighted assets compared to \$341.1 million or 1.33% of risk-weighted assets at December 31, 2015. Disallowed deferred tax assets for the new Basel III ratio, CET1, were \$169.1 million at June 30, 2016 and \$215.5 million at December 31, 2015, due to a three-year phase-in of the total disallowed deferred tax asset for the CET1 capital measure. Synovus' deferred tax asset is projected to continue to decline, thus creating additional regulatory capital in future periods.

Synovus' CET1 ratio was 10.01% at June 30, 2016 under Basel III transitional provisions and the estimated fully phased-in CET1 ratio, as of June 30, 2016, was 9.49%, both of which are well in excess of the regulatory requirements prescribed by Basel III. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Management currently believes, based on internal capital analyses and earnings projections, that Synovus' capital position is adequate to meet current and future regulatory minimum capital requirements.

Dividends

Synovus has historically paid a quarterly cash dividend to the holders of its common stock. Management and the Board of Directors closely monitor current and projected capital levels, liquidity (including dividends from subsidiaries), financial markets and other economic trends, as well as regulatory requirements regarding the payment of dividends. During the fourth quarter of 2015, Synovus increased the quarterly common stock dividend by 20% to \$0.12 per share effective with the quarterly dividend paid on January 4, 2016.

Synovus' ability to pay dividends on its capital stock, including the common stock and the Series C Preferred Stock, is primarily dependent upon dividends and distributions that it receives from its bank and non-banking subsidiaries,

which are restricted by various regulations administered by federal and state bank regulatory authorities, as further discussed below in the section titled "Liquidity." During the six months ended June 30, 2016, Synovus Bank paid upstream cash dividends of \$180.0 million to Synovus and during the year ended December 31, 2015, Synovus Bank made upstream cash distributions to Synovus totaling \$225.0 million including cash dividends of \$199.9 million.

Synovus declared dividends of \$0.24 per common share for the six months ended June 30, 2016 and \$0.20 for the six months ended June 30, 2015. In addition to dividends paid on its common stock, Synovus paid dividends of \$5.1 million on its Series C Preferred Stock during both the six months ended June 30, 2016 and June 30, 2015.

Liquidity

Liquidity represents the extent to which Synovus has readily available sources of funding needed to meet the needs of depositors, borrowers and creditors, to support asset growth, and to otherwise sustain operations of Synovus and its subsidiaries, at a reasonable cost, on a timely basis, and without adverse consequences. ALCO monitors Synovus' economic, competitive, and regulatory environment and is responsible for measuring, monitoring, and reporting on liquidity and funding risk, interest rate risk, and market risk and has the authority to establish policies relative to these risks. ALCO, operating under liquidity and funding policies approved by the Board of Directors, actively analyzes contractual and anticipated cash flows in order to properly manage Synovus' liquidity position.

Contractual and anticipated cash flows are analyzed under normal and stressed conditions to determine forward looking liquidity needs and sources. Synovus analyzes liquidity needs under various scenarios of market conditions and operating performance. This analysis includes stress testing and measures expected sources and uses of funds under each scenario. Emphasis is placed on maintaining numerous sources of current and potential liquidity to allow Synovus to meet its obligations to depositors, borrowers, and creditors on a timely basis.

Liquidity is generated primarily through maturities and repayments of loans by customers, maturities and sales of investment securities, deposit growth, and access to sources of funds other than deposits. Management continuously monitors and maintains appropriate levels of liquidity so as to provide adequate funding sources to manage customer deposit withdrawals, loan requests, and funding maturities. Liquidity is also enhanced by the acquisition of new deposits. Each of the banking divisions monitors deposit flows and evaluates local market conditions in an effort to retain and grow deposits.

Table of Contents

Synovus Bank also generates liquidity through the national deposit markets through the issuance of brokered certificates of deposit and money market accounts. Synovus Bank accesses these funds from a broad geographic base to diversify its sources of funding and liquidity. Synovus Bank has the capacity to access funding through its membership in the FHLB System. At June 30, 2016, based on currently pledged collateral, Synovus Bank had access to incremental funding of \$870 million, subject to FHLB credit policies, through utilization of FHLB advances. In addition to bank level liquidity management, Synovus must manage liquidity at the Parent Company for various operating needs including potential capital infusions into subsidiaries, the servicing of debt, the payment of dividends on our common stock and preferred stock, share repurchases and payment of general corporate expenses. The primary source of liquidity for Synovus consists of dividends from Synovus Bank, which is governed by certain rules and regulations of the GA DBF and FDIC. During 2015, Synovus Bank made upstream cash distributions to the Parent Company totaling \$225.0 million including cash dividends of \$199.9 million. During the six months ended June 30, 2016, Synovus Bank paid upstream cash dividends totaling \$180.0 million to the Parent Company. Synovus' ability to receive dividends from Synovus Bank in future periods will depend on a number of factors, including, without limitation, Synovus Bank's future profits, asset quality, liquidity and overall condition. In addition, GA DBF rules and related statutes contain limitations on payments of dividends by Synovus Bank without the approval of the GA DBF. On December 7, 2015, Synovus issued in a public offering \$250 million aggregate principal amount of subordinated debt due in 2025, for aggregate proceeds of \$246.6 million, net of debt issuance costs. Also during the fourth quarter of 2015, Synovus repurchased \$46.7 million of its subordinated notes maturing in 2017 in privately negotiated transactions which resulted in a pre-tax loss of \$1.5 million. Additionally, during January 2016, Synovus repurchased \$124.7 million of its subordinated notes maturing in 2017 in conjunction with Synovus' cash tender offer that commenced on December 23, 2015 and expired on January 22, 2016. Results for the six months ended June 30, 2016 included a \$4.7 million pre-tax loss relating to the January tender offer.

Synovus presently believes that the sources of liquidity discussed above, including existing liquid funds on hand, are sufficient to meet its anticipated funding needs. However, if economic conditions were to significantly deteriorate, regulatory capital requirements for Synovus or Synovus Bank increase as the result of regulatory directives or otherwise, or Synovus believes it is prudent to enhance current liquidity levels, then Synovus may seek additional liquidity from external sources. See "Part I – Item 1A. Risk Factors - 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, may adversely affect our capital resources, liquidity and financial results." of Synovus' 2015 Form 10-K.

Earning Assets and Sources of Funds

Average total assets for the six months ended June 30, 2016 increased \$1.39 billion, or 5.0%, to \$29.09 billion as compared to \$27.70 billion for the first six months of 2015. Average earning assets increased \$1.54 billion, or 6.0%, in the first six months of 2016 compared to the same period in 2015 and represented 93.1% of average total assets at June 30, 2016, as compared to 92.2% at June 30, 2015. The increase in average earning assets resulted from a \$1.57 billion increase in average loans, net, and a \$450.6 million increase in average taxable investment securities. These increases were partially offset by a \$468.5 million decrease in interest bearing funds held at the Federal Reserve Bank. Average interest bearing liabilities increased \$871.3 million, or 4.8%, to \$19.06 billion for the first six months of 2016 compared to the same period in 2015. The increase in interest bearing liabilities was driven by a \$750.0 million increase in money market deposit accounts (excluding brokered deposits) and a \$355.8 million increase in interest bearing demand deposits. These increases were partially offset by a \$359.1 million decrease in brokered deposits. Average non-interest bearing demand deposits increased \$598.0 million, or 9.5%, to \$6.87 billion for the first six months of 2016 compared to the same period in 2015.

Net interest income for the six months ended June 30, 2016 was \$439.6 million, an increase of \$32.7 million, or 8.0%, compared to \$406.9 million for the six months ended June 30, 2015.

The net interest margin for the six months ended June 30, 2016 was 3.27%, up 5 basis points from 3.22% for the six months ended June 30, 2015. Earning asset yields increased by 6 basis points compared to the six months ended June 30, 2015 and the effective cost of funds increased one basis point.

On a sequential quarter basis, net interest income increased by \$3.3 million while the net interest margin was unchanged. The increase in net interest income for the second quarter was due to a \$367.4 million increase in average

earning assets driven by a \$349.8 million increase in average loans, net. The yield on earning assets was 3.73% and the effective cost of funds was 0.46% for the second quarter 2016, both unchanged from the previous quarter. The net interest margin could experience slight downward pressure in the third quarter of 2016. Current expectations for the full year 2016 are for an estimated increase in net interest income of 7.5% assuming no change in short-term interest rates.

Table of Contents

Quarterly yields earned on average interest-earning assets and rates paid on average interest-bearing liabilities for the five most recent quarters are presented below.

| Average Balances, Interest, and Yields (dollars in thousands) (yields and rates annualized) | 2016 | | 2015 | | |
|---|-------------------|------------------|-------------------|------------------|-------------------|
| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
| Interest Earning Assets: | | | | | |
| Taxable investment securities ⁽¹⁾ | \$3,529,030 | 3,537,131 | 3,481,184 | 3,380,543 | 3,165,513 |
| Yield | 1.89 | % 1.91 | 1.85 | 1.76 | 1.79 |
| Tax-exempt investment securities ⁽¹⁾⁽³⁾ | \$3,491 | 4,091 | 4,352 | 4,509 | 4,595 |
| Yield (taxable equivalent) ⁽³⁾ | 6.08 | % 6.37 | 6.16 | 6.21 | 6.15 |
| Trading account assets | \$3,803 | 5,216 | 8,067 | 7,278 | 12,564 |
| Yield | 1.27 | % 1.65 | 2.24 | 1.84 | 3.72 |
| Commercial loans ⁽²⁾⁽³⁾ | \$18,433,638 | 18,253,169 | 17,884,661 | 17,522,735 | 17,297,130 |
| Yield | 4.04 | % 4.03 | 3.97 | 3.99 | 4.01 |
| Consumer loans ⁽²⁾ | \$4,497,147 | 4,334,817 | 4,233,061 | 4,105,639 | 3,986,151 |
| Yield | 4.32 | % 4.37 | 4.27 | 4.31 | 4.37 |
| Allowance for loan losses | \$(251,101) | (258,097) | (252,049) | (256,102) | (254,177) |
| Loans, net ⁽²⁾ | \$22,679,684 | 22,329,889 | 21,865,673 | 21,372,272 | 21,029,104 |
| Yield | 4.15 | % 4.15 | 4.08 | 4.10 | 4.14 |
| Mortgage loans held for sale | \$72,477 | 63,339 | 50,668 | 69,438 | 90,419 |
| Yield | 3.59 | % 3.72 | 3.84 | 3.82 | 3.39 |
| Federal funds sold, due from Federal Reserve Bank, and other short-term investments | \$907,614 | 885,938 | 1,081,604 | 1,380,686 | 1,590,114 |
| Yield | 0.47 | % 0.47 | 0.27 | 0.24 | 0.24 |
| Federal Home Loan Bank and Federal Reserve Bank Stock ⁽⁴⁾ | 77,571 | 80,679 | 66,790 | 71,852 | 76,091 |
| Yield | 5.15 | % 3.82 | 5.08 | 4.71 | 4.57 |
| Total interest earning assets | \$27,273,670 | 26,906,283 | 26,558,338 | 26,286,578 | 25,968,400 |
| Yield | 3.73 | % 3.73 | 3.63 | 3.60 | 3.61 |
| Interest Bearing Liabilities: | | | | | |
| Interest bearing demand deposits | \$4,233,310 | 4,198,738 | 4,117,116 | 3,955,803 | 3,919,401 |
| Rate | 0.18 | % 0.17 | 0.17 | 0.18 | 0.18 |
| Money Market accounts | \$7,082,759 | 7,095,778 | 7,062,517 | 6,893,563 | 6,466,610 |
| Rate | 0.31 | % 0.32 | 0.35 | 0.36 | 0.35 |
| Savings deposits | \$746,225 | 722,172 | 692,536 | 685,813 | 675,260 |
| Rate | 0.06 | % 0.07 | 0.06 | 0.06 | 0.06 |
| Time deposits under \$100,000 | \$1,262,280 | 1,279,811 | 1,307,601 | 1,338,994 | 1,351,299 |
| Rate | 0.64 | % 0.65 | 0.65 | 0.66 | 0.68 |
| Time deposits over \$100,000 | \$2,016,116 | 2,006,302 | 2,033,193 | 2,086,851 | 2,061,434 |
| Rate | 0.89 | % 0.89 | 0.88 | 0.88 | 0.88 |
| Non-maturing brokered deposits | \$451,398 | 315,006 | 297,925 | 221,817 | 185,909 |
| Rate | 0.39 | % 0.48 | 0.31 | 0.31 | 0.31 |
| Brokered time deposits | \$885,603 | 780,233 | 887,168 | 1,135,346 | 1,370,022 |
| Rate | 0.85 | % 0.83 | 0.76 | 0.71 | 0.67 |
| Total interest bearing deposits | \$16,677,691 | 16,398,040 | 16,398,056 | 16,318,187 | 16,029,935 |
| Rate | 0.39 | % 0.39 | 0.40 | 0.42 | 0.42 |
| Federal funds purchased and securities sold under repurchase agreements | \$221,276 | \$177,921 | 158,810 | 207,894 | 232,531 |

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| | | | | | |
|------------------------------------|--------------|------------|------------|------------|------------|
| Rate | 0.09 | % 0.10 | 0.08 | 0.09 | 0.08 |
| Long-term debt | \$2,279,043 | 2,361,973 | 2,007,924 | 2,072,455 | 2,172,765 |
| Rate | 2.55 | % 2.55 | 2.63 | 2.51 | 2.39 |
| Total interest bearing liabilities | \$19,178,010 | 18,937,934 | 18,564,790 | 18,598,536 | 18,435,231 |

62

Table of Contents

| | | | | | |
|--|-------------|-----------|-----------|-----------|-----------|
| Rate | 0.65 | % 0.66 | 0.65 | 0.65 | 0.65 |
| Non-interest bearing demand deposits | \$6,930,336 | 6,812,223 | 6,846,200 | 6,541,832 | 6,436,167 |
| Effective cost of funds | 0.46 | % 0.46 | 0.45 | 0.46 | 0.46 |
| Net interest margin | 3.27 | % 3.27 | 3.18 | 3.14 | 3.15 |
| Taxable equivalent adjustment ⁽³⁾ | \$ 329 | 305 | 311 | 315 | 330 |

⁽¹⁾ Excludes net unrealized gains and (losses).

⁽²⁾ Average loans are shown net of deferred fees and costs. Non-performing loans are included.

⁽³⁾ Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35%, in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.

⁽⁴⁾ Included as a component of Other Assets on the balance sheet.

Table of Contents

Net Interest Income and Rate/Volume Analysis

The following tables set forth the major components of net interest income and the related annualized yields and rates for the six months ended June 30, 2016 and 2015, as well as the variances between the periods caused by changes in interest rates versus changes in volume.

Net Interest Income and Rate/Volume Analysis

| (dollars in thousands) | Six Months Ended June 30, | | | | Annualized | | 2016 Compared to 2015 | | |
|---|---------------------------|------------|-----------|---------|------------|-------|-----------------------|---------|------------|
| | Average Balances | | Interest | | Yield/Rate | | Change due to | | Increase |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | Volume | Rate | (Decrease) |
| Assets | | | | | | | | | |
| Interest earning assets: | | | | | | | | | |
| Taxable investment securities | \$3,533,080 | 3,082,516 | \$33,579 | 28,021 | 1.90% | 1.82 | \$4,089 | 1,469 | \$ 5,558 |
| Tax-exempt investment securities ⁽²⁾ | 3,791 | 4,780 | 118 | 148 | 6.23 | 6.18 | (30) | — | (30) |
| Total investment securities | 3,536,871 | 3,087,296 | 33,697 | 28,169 | 1.91 | 1.82 | 4,059 | 1,469 | 5,528 |
| Trading account assets | 4,510 | 13,372 | 34 | 224 | 1.49 | 3.35 | (148) | (42) | (190) |
| Taxable loans, net ⁽¹⁾ | 22,686,162 | 21,118,864 | 461,792 | 430,861 | 4.09 | 4.11 | 31,963 | (1,032) | 30,931 |
| Tax-exempt loans, net ⁽¹⁾⁽²⁾ | 73,223 | 76,182 | 1,692 | 1,791 | 4.65 | 4.74 | (70) | (29) | (99) |
| Allowance for loan losses | (254,599) | (255,664) | | | | | | | |
| Loans, net | 22,504,786 | 20,939,382 | 463,484 | 432,652 | 4.15 | 4.17 | 31,893 | (1,061) | 30,832 |
| Mortgage loans held for sale | 67,908 | 77,535 | 1,238 | 1,397 | 3.65 | 3.60 | (173) | 14 | (159) |
| Federal funds sold, due from Federal Reserve Bank, and other short-term investments | 896,777 | 1,357,972 | 2,129 | 1,632 | 0.48 | 0.24 | (529) | 1,024 | 495 |
| Federal Home Loan Bank and Federal Reserve Bank stock | 79,125 | 78,439 | 1,768 | 1,658 | 4.47 | 4.23 | 14 | 96 | 110 |
| Total interest earning assets | \$27,089,977 | 25,553,996 | \$502,350 | 465,732 | 3.73% | 3.67 | \$35,116 | 1,500 | \$ 36,616 |
| Cash and due from banks | 405,564 | 429,450 | | | | | | | |
| Premises and equipment, net | 441,197 | 452,352 | | | | | | | |
| Other real estate | 41,586 | 79,102 | | | | | | | |
| Other assets ⁽³⁾ | 1,111,448 | 1,189,794 | | | | | | | |
| Total assets | \$29,089,772 | 27,704,694 | | | | | | | |
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Interest-bearing demand deposits | \$4,216,024 | 3,860,267 | \$3,673 | 3,547 | 0.18% | 0.19% | \$337 | (211) | \$ 126 |
| Money market accounts | 7,472,471 | 6,523,208 | 11,852 | 10,818 | 0.32 | 0.33 | 1,562 | (528) | 1,034 |

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| | | | | | | | | | |
|--|---------------|------------|------------|---------|--------|------|-----------|---------|-----------|
| Savings deposits | 734,199 | 662,499 | 232 | 183 | 0.06 | 0.06 | 21 | 28 | 49 |
| Time deposits | 4,115,172 | 4,723,685 | 16,457 | 17,083 | 0.80 | 0.73 | (2,215) | 1,589 | (626) |
| Federal funds purchased and securities sold under repurchase agreements | 199,599 | 227,622 | 96 | 89 | 0.09 | 0.08 | (11) | 18 | 7 |
| Long-term debt | 2,320,508 | 2,190,312 | 29,763 | 26,427 | 2.57 | 2.41 | 1,575 | 1,761 | 3,336 |
| Total interest-bearing liabilities | \$ 19,057,973 | 18,187,593 | \$ 62,073 | 58,147 | 0.65 | 0.64 | \$ 1,269 | 2,657 | \$ 3,926 |
| Non-interest bearing deposits | 6,871,279 | 6,273,267 | | | | | | | |
| Other liabilities | 203,923 | 216,632 | | | | | | | |
| Shareholders' equity | 2,956,597 | 3,027,202 | | | | | | | |
| Total liabilities and equity | \$ 29,089,772 | 27,704,694 | | | | | | | |
| Interest rate spread | | | | | | | | | |
| Net interest income - FTE/margin ⁽⁴⁾ | | | 440,277 | 407,585 | 3.27 % | 3.22 | \$ 33,847 | (1,157) | \$ 32,690 |
| Taxable equivalent adjustment | | | 634 | 678 | | | | | |
| Net interest income, actual | | | \$ 439,643 | 406,907 | | | | | |

(1) Average loans are shown net of unearned income. Non-performing loans are included. Interest income includes fees as follows: 2016 - \$15.6 million, 2015 - \$15.2 million.

(2) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35% in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.

(3) Includes average net unrealized gains on investment securities available for sale of \$28.7 million and \$26.6 million for the six months ended June 30, 2016 and 2015, respectively.

(4) The net interest margin is calculated by dividing annualized net interest income - FTE by average total interest earnings assets.

Table of Contents

Market Risk Analysis

Interest rate risk is the primary market risk to which Synovus is potentially exposed. Synovus measures its sensitivity to changes in market interest rates through the use of a simulation model. Synovus uses this simulation model to determine a baseline net interest income forecast and the sensitivity of this forecast to changes in interest rates. These simulations include all of Synovus' earning assets and liabilities. Forecasted balance sheet changes, primarily reflecting loan and deposit growth forecasts, are included in the periods modeled. Anticipated deposit mix changes in each interest rate scenario are also included in the periods modeled.

Synovus has modeled its baseline net interest income forecast assuming a flat interest rate environment with the federal funds rate at the Federal Reserve's current targeted range of 0.25% to 0.50% and the current prime rate of 3.50%. Synovus has modeled the impact of a gradual increase in short-term rates of 100 and 200 basis points and a decline of 25 basis points to determine the sensitivity of net interest income for the next twelve months. Synovus continues to maintain a modestly asset sensitive position which would be expected to benefit net interest income in a rising interest rate environment and reduce net interest income in a declining interest rate environment. The following table represents the estimated sensitivity of net interest income to these changes in short term interest rates at June 30, 2016, with comparable information for December 31, 2015.

| Change in Short-term Interest Rates (in basis points) | Estimated % Change in Net Interest Income as Compared to Unchanged Rates (for the next twelve months) | |
|---|---|-------------------|
| | June 30, 2016 | December 31, 2015 |
| +200 | 5.8% | 6.4% |
| +100 | 3.5% | 3.8% |
| Flat | —% | —% |
| -25 | -1.9% | -2.6% |

Several factors could serve to diminish or eliminate this asset sensitivity in a rising rate environment. These factors include a higher than projected level of deposit customer migration to higher cost deposits, such as certificates of deposit, which would increase total interest expense and serve to reduce the realized level of asset sensitivity. Another factor which could impact the realized interest rate sensitivity is the repricing behavior of interest bearing non-maturity deposits. Assumptions for repricing are expressed as a beta relative to the change in the prime rate. For instance, a 50% beta would correspond to a deposit rate that would increase 0.5% for every 1% increase in the prime rate. Projected betas for interest bearing non-maturity deposit repricing are a key component of determining the Company's interest rate risk positioning. Should realized betas be higher than projected betas, the expected benefit from higher interest rates would be diminished. The following table presents an example of the potential impact of an increase in repricing betas on Synovus' realized interest rate sensitivity position.

| Change in Short-term Interest Rates (in basis points) | As of June 30, 2016 | |
|---|---------------------|--|
| | Base Scenario | 15% Increase in Average Repricing Beta |
| +200 | 5.8% | 3.7% |
| +100 | 3.5% | 2.4% |

The net interest income simulation model is the primary tool utilized to evaluate potential interest rate risks over a shorter term time horizon. Synovus also evaluates potential longer term interest rate risk through modeling and evaluation of economic value of equity (EVE). Simulation modeling is utilized to measure the economic value of equity and its sensitivity to immediate changes in interest rates. These simulations value only the current balance sheet and do not incorporate growth assumptions used in the net interest income simulation. The economic value of equity is the net fair value of assets, liabilities, and off-balance sheet financial instruments derived from the present value of future cash flows discounted at current market interest rates. From this baseline valuation, Synovus evaluates changes in the value of each of these items in various interest rate scenarios to determine the net impact on the economic value of equity. Key assumptions utilized in the model, namely loan prepayments, investment security prepayments, deposit

repricing betas, and non-maturity deposit duration have a significant impact on the results of the EVE simulations. As illustrated in the table below, the economic value of equity model indicates that, compared with a valuation assuming stable rates, EVE is projected to increase by 5.9% and 6.9%, assuming an immediate and sustained increase in interest rates of 100 and 200 basis points, respectively. Assuming an immediate 25 basis point decline in rates, EVE is projected to decrease by 3.9%

65

Table of Contents

| Immediate Change in Interest Rates (in basis points) | Estimated Change in EVE | |
|--|-------------------------|-------------------|
| | June 30, 2016 | December 31, 2015 |
| +200 | 6.9% | 3.2% |
| +100 | 5.9% | 3.4% |
| -25 | -3.9% | -3.5% |

ADDITIONAL DISCLOSURES

Recently Issued Accounting Standards

The following ASUs will be implemented effective January 1, 2017 or later:

ASU 2016-13, Financial Instruments--Credit Losses. On June 16, 2016, the FASB issued the new credit impairment standard, ASU 2016-13, Financial Instruments-Credit Losses. ASU 2016-13 represents a shift in focus from an incurred loss model to one that recognizes losses expected to occur over the life of an asset. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses for financial assets not recorded at fair value based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance in ASU 2016-13 applies to all industries, and will impact Synovus' accounting for loans, loan commitments, and debt securities.

ASU 2016-13 will be required to be implemented through a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the amendments are effective. This ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Once effective, the new guidance will significantly change the accounting for credit impairment. Management is currently evaluating the requirements of this new accounting standard to determine the impact on its consolidated financial statements.

ASU 2016-09, Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting. In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The new guidance includes a requirement to record all of the tax effects related to share-based payments at settlement (or expiration) through the income statement. Currently, tax benefits in excess of compensation cost (“windfalls”) and tax deficiencies (“shortfalls”) are recorded in equity. For Synovus, this ASU will be effective for annual reporting periods beginning after December 15, 2016. Based on management’s initial assessment of the potential impact of the standard on Synovus, management expects that the ASU could create some quarterly income tax expense volatility, but the amount would not be significant.

ASU 2016-02, Leases. In February 2016, the FASB issued ASU 2016-02, its new standard on lease accounting. ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet. Under the new standard, all lessees will recognize a right-of-use asset and a lease liability for all leases, including operating leases, with a lease term greater than 12 months. From a lessor perspective, the accounting model is largely unchanged, though the new standard does include certain targeted improvements to align, where necessary, lessor accounting with the lessee accounting model and the revenue recognition guidance in ASC Topic 606 (those related to evaluating when profit can be recognized). For Synovus, the impact of this ASU will primarily relate to its accounting and reporting of leases as a lessee. The new ASU will be effective for Synovus beginning January 1, 2019 (prior periods will be restated so prior years are comparable). Early adoption is permitted. Management currently estimates that the financial statement impact from the implementation of the new lease accounting standard will not be significant.

ASU 2016-01, Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. In January 2016, the FASB issued ASU 2016-01, which amends the guidance on the classification and

measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. The ASU provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The ASU also requires a qualitative impairment assessment of such equity investments and

Table of Contents

amends certain fair value disclosure requirements. Because companies must recognize changes in the measurement of equity investments in net income, income volatility will potentially increase, but changes in credit risk will not affect earnings when the fair value option is elected. The new standard will be effective for Synovus for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of the ASU on Synovus' consolidated financial statements.

ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard is intended to increase comparability across industries and jurisdictions. The core principle of the revenue model is that a company will recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

On April 29, 2015, the FASB issued a proposal to delay the effective date of ASU 2014-09, Revenue from Contracts with Customers, for public and non-public companies. The proposed new effective date will be annual reporting periods beginning after December 15, 2017, and the interim periods within that year, for public business entities. As such, for Synovus, the ASU will be effective on January 1, 2018, for both its interim and annual reporting periods.

This proposal represents a one-year deferral from the original effective date.

The proposed new effective date guidance will allow early adoption for all entities (i.e., both public business entities and other entities) as of the original effective date for public business entities, which was annual reporting periods beginning after December 15, 2016, and the interim periods within that year.

Management is currently evaluating the impact of this ASU on Synovus' consolidated financial statements. The standard is expected to potentially impact ORE sales, interchange revenue, credit card loyalty programs, asset management fees, treasury management services revenue, and miscellaneous fees; however, the overall financial statement impact for Synovus is not expected to be significant. Extensive new disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and information about key judgments and estimates and policy decisions regarding revenue recognition.

See Note 1 of the notes to the unaudited interim consolidated financial statements for a discussion of recently adopted accounting standards updates.

Critical Accounting Policies

The accounting and financial reporting policies of Synovus are in accordance with GAAP and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. Synovus has identified certain of its accounting policies as "critical accounting policies," consisting of those related to the allowance for loan losses and determining the fair value of financial instruments. In determining which accounting policies are critical in nature, Synovus has identified the policies that require significant judgment or involve complex estimates. It is management's practice to discuss critical accounting policies with the Board of Directors' Audit Committee, including the development, selection, implementation and disclosure of the critical accounting policies. The application of these policies has a significant impact on Synovus' unaudited interim consolidated financial statements. Synovus' financial results could differ significantly if different judgments or estimates are used in the application of these policies. All accounting policies described in Note 1 - Summary of Significant Accounting Policies in Synovus' 2015 Form 10-K should be reviewed for a greater understanding of how we record and report our financial performance. During the six months ended June 30, 2016, there have been no significant changes to Synovus' critical accounting policies, estimates and assumptions, or the judgments affecting the application of these estimates and assumptions from those disclosed in Synovus' 2015 Form 10-K.

Non-GAAP Financial Measures

The measures entitled adjusted non-interest income; adjusted non-interest expense; adjusted net income per common share, diluted; adjusted efficiency ratio; average core deposits; average core deposits excluding average state, county, and municipal deposits; core deposits excluding state, county, and municipal deposits; Tangible Common Equity ratio; and common equity Tier 1 (CET1) ratio (fully phased-in) are not measures recognized under GAAP and

therefore are considered non-GAAP financial measures. The most comparable GAAP measures to these measures are total non-interest income; total non-interest expense; net income per common share, diluted; efficiency ratio; total deposits; and the ratio of total equity to total assets, respectively.

Management uses these non-GAAP financial measures to assess the performance of Synovus' business and the strength of its capital position. Synovus believes that these non-GAAP financial measures provide meaningful additional information about Synovus to assist management, investors, and bank regulators in evaluating Synovus' operating results, financial strength and capitalization and to permit investors to assess the performance of Synovus on the same basis as that used by management. The non-GAAP financial measures should be considered as additional views of the way our financial measures are affected by significant items and other factors. Adjusted non-interest income is a measure used by management to evaluate non-interest income exclusive

Table of Contents

of net investment securities gains. Adjusted non-interest expense and the adjusted efficiency ratio are measures utilized by management to measure the success of expense management initiatives focused on reducing recurring controllable operating costs. Adjusted net income per common share, diluted is a measure used by management to evaluate operating results exclusive of items that are not indicative of ongoing operations and impact period-to-period comparisons. Average core deposits, average core deposits excluding average state, county, and municipal deposits, and core deposits excluding state, county, and municipal deposits are measures used by management to evaluate organic growth of deposits and the quality of deposits as a funding source. The Tangible Common Equity ratio and common equity Tier 1 (CET1) ratio (fully phased-in) are used by management and bank regulators to assess the strength of our capital position. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of these measures are set forth in the tables below.

| Reconciliation of Non-GAAP Financial Measures (in thousands) | Six Months Ended | | Three Months Ended | |
|---|------------------|------------------|--------------------|------------------|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Adjusted Non-interest Income | | | | |
| Total non-interest income | \$131,033 | 134,687 | 67,886 | 68,832 |
| Less: Investment securities gains, net | (67) | (2,710) | — | (1,985) |
| Adjusted non-interest income | \$130,966 | 131,977 | 67,886 | 66,847 |
| Adjusted Non-interest Expense | | | | |
| Total non-interest expense | \$376,844 | 356,713 | 188,611 | 177,806 |
| Less: Restructuring charges | (6,981) | 102 | (5,841) | (5) |
| Less: Visa indemnification charges | (720) | (729) | (360) | (354) |
| Less: Litigation contingency expense | (2,700) | (4,400) | — | (4,400) |
| Less: Loss on early extinguishment of debt | (4,735) | — | — | — |
| Adjusted non-interest expense | \$361,708 | 351,686 | 182,410 | 173,047 |

Table of Contents

| (in thousands) | Three Months Ended | |
|--|--------------------|------------------|
| | June 30, 2016 | June 30, 2015 |
| Adjusted Net Income Per Common Share, Diluted | | |
| Net income available to common shareholders | 57,898 | 53,233 |
| Add: Litigation contingency expense | — | 4,400 |
| Add: Restructuring charges | 5,841 | 5 |
| Subtract: Tax effect of adjustments | (2,138) | (1,612) |
| Adjusted net income available to common shareholders | 61,601 | \$56,026 |
| Weighted average common shares outstanding - diluted | 125,699 | 133,625 |
| Adjusted net income per common share, diluted | 0.49 | 0.42 |
| Adjusted Efficiency Ratio | | |
| Adjusted non-interest expense | 182,410 | 173,047 |
| Subtract: Other credit costs | (4,143) | (6,175) |
| Adjusted non-interest expense excluding credit costs | 178,267 | 166,872 |
| Net interest income | 221,449 | 203,644 |
| Add: Tax equivalent adjustment | 329 | 330 |
| Total non-interest income | 67,886 | 68,832 |
| Subtract: Investment securities gains, net | — | (1,985) |
| Total revenues | 289,664 | 270,821 |
| Adjusted efficiency ratio | 61.54 % | 61.62 % |

Table of Contents

| Reconciliation of Non-GAAP Financial Measures, continued | Three Months Ended | | | |
|---|--------------------|-------------------|----------------------|------------------|
| (dollars in thousands) | June 30, 2016 | March 31, 2016 | December 31, 2015 | June 30, 2015 |
| Average Core Deposits and Average Core Deposits Excluding Average State, County, and Municipal Deposits | | | | |
| Average total deposits | \$23,608,027 | 23,210,263 | 23,244,256 | 22,466,102 |
| Less: Average brokered deposits | (1,337,000) | (1,095,239) | (1,185,093) | (1,555,931) |
| Average core deposits | 22,271,027 | 22,115,024 | 22,059,163 | 20,910,171 |
| Less: Average SCM deposits | (2,280,039) | (2,440,749) | (2,303,278) | (2,277,783) |
| Average core deposits excluding average SCM deposits | \$19,990,988 | 19,674,275 | 19,755,885 | 18,632,388 |
| Core Deposits and Core Deposits Excluding State, County, and Municipal Deposits | | | | |
| Total deposits | \$23,925,922 | 23,449,928 | | 22,649,181 |
| Less: Brokered deposits | (1,496,161) | (1,204,517) | | (1,452,151) |
| Core deposits | 22,429,761 | 22,245,411 | | 21,197,030 |
| Less: State, county, and municipal deposits | (2,294,898) | (2,344,361) | | (2,330,061) |
| Core deposits excluding state, county, and municipal deposits | \$20,134,863 | 19,901,050 | | 18,866,969 |
| Tangible Common Equity Ratio | | | | |
| Total assets | \$29,459,691 | 29,171,257 | 28,792,653 | 28,205,870 |
| Less: Goodwill | (24,431) | (24,431) | (24,431) | (24,431) |
| Less: Other intangible assets, net | (228) | (277) | (471) | (863) |
| Tangible assets | \$29,435,032 | 29,146,549 | 28,767,751 | 28,180,576 |
| Total shareholders' equity | \$2,951,659 | 2,953,268 | 3,000,196 | 3,006,157 |
| Less: Goodwill | (24,431) | (24,431) | (24,431) | (24,431) |
| Less: Other intangible assets, net | (228) | (277) | (471) | (863) |
| Less: Series C Preferred Stock, no par value | (125,980) | (125,980) | (125,980) | (125,980) |
| Tangible common equity | \$2,801,020 | 2,802,580 | 2,849,314 | 2,854,883 |
| Total shareholders' equity to total assets ratio | 10.02 | % 10.12 | 10.42 | 10.66 |
| Tangible common equity ratio | 9.52 | % 9.62 | 9.90 | 10.13 |
| Common Equity Tier 1 (CET1) Ratio (fully phased-in) | | | | |
| Common equity Tier 1 (CET1) | \$2,616,181 | | | |
| Adjustment related to capital components | (114,588) | | | |
| CET1 (fully phased-in) | \$2,501,593 | | | |
| Total risk-weighted assets (fully phased-in) | \$26,373,430 | | | |
| Common equity Tier 1 (CET1) ratio (fully phased-in) | 9.49 | % | | |

Table of Contents

ITEM 3. – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information presented in the Market Risk Analysis section of the Management's Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

ITEM 4. – CONTROLS AND PROCEDURES

In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by Synovus' management, with the participation of Synovus' Chief Executive Officer and Chief Financial Officer, of the effectiveness of Synovus' disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on that evaluation, Synovus' Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2016, Synovus' disclosure controls and procedures were effective.

There have been no material changes in Synovus' internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, Synovus' internal controls over financial reporting.

Table of Contents

PART II. – OTHER INFORMATION

ITEM 1. – LEGAL PROCEEDINGS

Synovus and its subsidiaries are subject to various legal proceedings, claims and disputes that arise in the ordinary course of its business. Additionally, in the ordinary course of business, Synovus and its subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. Synovus, like many other financial institutions, has been the target of legal actions and other proceedings asserting claims for damages and related relief for losses. These actions include mortgage loan and other loan put-back claims, claims and counterclaims asserted by individual borrowers related to their loans and allegations of violations of state and federal laws and regulations relating to banking practices, including putative class action matters. In addition to actual damages if Synovus does not prevail in such asserted legal actions, credit-related litigation could result in additional write-downs or charge-offs of assets, which could adversely affect Synovus' results of operations during the period in which the write-down or charge-off were to occur.

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 and financial condition for any particular period. For additional information, see "Part I - Item 1. Financial Statements - Note 12 - Legal Proceedings" of this Report, which Note is incorporated herein by this reference.

ITEM 1A. – RISK FACTORS

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in "Risk Factors" in Part I-Item 1A of Synovus' 2015 Form 10-K which could materially affect its business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.

There were no material changes during the period covered by this Report to the risk factors previously disclosed in Synovus' 2015 10-K.

ITEM 2. – UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) Issuer Purchases of Equity Securities:

During the third quarter of 2015, Synovus' Board of Directors authorized a \$300 million share repurchase program to be completed over the next 15 months. The table below sets forth information regarding repurchases of our common stock during the second quarter of 2016.

| Share Repurchases | Total Number of Shares | Average Price Paid per Share ⁽¹⁾ | Total Repurchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|-------------------|------------------------------|--|--|---|
| April 2016 | 411,100 | \$ 28.96 | 411,100 | \$140,125,932 |
| May 2016 | 676,500 | 30.61 | 676,500 | 119,416,015 |
| June 2016 | 928,400 | 30.06 | 928,400 | 91,509,436 |
| Total | 2,016,000 | \$ 30.02 | 2,016,000 | \$91,509,436 |

(1) The average price paid per share is calculated on a trade date basis for all open market transactions and excludes commissions and other transaction expenses.

The foregoing repurchases during the second quarter of 2016 totaled \$60.5 million, or 2.0 million shares, of common stock and were purchased through a combination of open market transactions and privately negotiated transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Table of Contents

ITEM 3. – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. – MINE SAFETY DISCLOSURES

None.

ITEM 5. – OTHER INFORMATION

None.

73

Table of Contents

ITEM 6. – EXHIBITS

| | |
|-------------------|-------------|
| Exhibit Number | Description |
|-------------------|-------------|

- | | |
|------|--|
| 3.1 | Amended and Restated Articles of Incorporation of Synovus, as amended, incorporated by reference to Exhibit 3.1 of Synovus' Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, as filed with the SEC on August 9, 2010. |
| 3.2 | Articles of Amendment to the Amended and Restated Articles of Incorporation of Synovus with respect to the Series C Preferred Stock, incorporated by reference to Exhibit 3.1 to Synovus' Current Report on Form 8-K dated July 25, 2013, as filed with the SEC on July 25, 2013. |
| 3.3 | Articles of Amendment to the Amended and Restated Articles of Incorporation of Synovus, incorporated by reference to Exhibit 3.1 to Synovus' Current Report on Form 8-K dated April 29, 2014, as filed with the SEC on April 29, 2014. |
| 3.4 | Articles of Amendment to the Amended and Restated Articles of Incorporation of Synovus, incorporated by reference to Exhibit 3.1 to Synovus' Current Report on Form 8-K dated May 19, 2014, as filed with the SEC on May 19, 2014. |
| 3.5 | Bylaws, as amended, of Synovus, incorporated by reference to Exhibit 3.1 of Synovus' Current Report on Form 8-K dated November 8, 2010, as filed with the SEC on November 9, 2010. |
| 4.1 | Amendment No. 3 dated as of April 20, 2016 to Shareholder Rights Plan between Synovus and American Stock Transfer and Trust Company, LLC, incorporated by reference to Exhibit 4.1 of Synovus' Current Report on Form 8-K dated April 20, 2016, as filed with the SEC on April 21, 2016. |
| 12.1 | Ratio of Earnings to Fixed Charges. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Interactive Data File |

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SYNOVUS FINANCIAL CORP.

August 3, 2016 By: /s/ Thomas J. Prescott

Date Thomas J. Prescott
 Executive Vice President and Chief Financial Officer
 (Duly Authorized Officer and Principal Financial Officer)

75