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

FORM 10-Q

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

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

Georgia	58-1134883
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Bay Avenue Suite 500, Columbus, Georgia	31901
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (706) 649-2311
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par Value	
Series B Participating Cumulative Preferred Stock	New York Stock Exchange
Purchase Rights	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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

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

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

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

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

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2019 Senior Notes – Synovus' outstanding 7.875% senior notes due February 15, 2019
ALCO – Synovus' Asset Liability Management Committee
Annual Meeting - Synovus' 2014 Annual Shareholders' Meeting
ASC – Accounting Standards Codification
ASU – Accounting Standards Update
Basel III – a global regulatory framework developed by the Basel Committee on Banking Supervision
BOV – broker’s opinion of value
bp – basis point (bps - basis points)
C&I – commercial and industrial loans
CB&T – Columbus Bank and Trust Company, a division of Synovus Bank. Synovus Bank is a wholly-owned subsidiary of Synovus Financial Corp.
CCC – central clearing counterparty
CEO – Chief Executive Officer
CFO – Chief Financial Officer
CMO – Collateralized Mortgage Obligation
Common Stock – Common Stock, par value $1.00 per share, of Synovus Financial Corp.
Company – Synovus Financial Corp. and its wholly-owned subsidiaries, except where the context requires otherwise
Covered Litigation – Certain Visa litigation for which Visa is indemnified by Visa USA members
CPP – U.S. Department of the Treasury Capital Purchase Program
CRE – Commercial Real Estate
Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act
DRR – dual risk rating
DTA – deferred tax asset
Exchange Act – Securities Exchange Act of 1934, as amended
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
Federal Reserve Bank – The 12 banks that are the operating arms of the U.S. central bank. They implement the policies of the Federal Reserve Board and also conduct economic research.
Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System establishes monetary policy (interest rates, credit, etc.) and monitors the economic health of the country. Its members are appointed by the President, subject to Senate confirmation, and serve 14-year terms.
Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure.
FFIEC – Federal Financial Institutions Examination Council
FHLB – Federal Home Loan Bank
FICO – Fair Isaac Corporation
GA DBF – Georgia Department of Banking and Finance
GAAP – Generally Accepted Accounting Principles in the United States of America

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

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Visa Derivative – A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the purchaser and Synovus based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares
Warrant – A warrant issued to the Treasury by Synovus to purchase up to 2,215,820 shares of Synovus Common Stock at a per share exercise price of $65.52 expiring on December 19, 2018

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

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

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

See accompanying notes to unaudited interim consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

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

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

See accompanying notes to unaudited interim consolidated financial statements.

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

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

See accompanying notes to unaudited interim consolidated financial statements.

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

Comprehensive income	$35,677	49,240

See accompanying notes to unaudited interim consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

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

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

See accompanying notes to unaudited interim consolidated financial statements.

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

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

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

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Stock options exercised	1,985	789
Proceeds from issuance of Series C Preferred Stock	—	125,400
Redemption of Series A Preferred Stock	—	(967,870)
Proceeds from issuance of common stock	—	174,764
Excess tax benefit from share-based compensation	201	569
Restricted stock activity	(468)	(3,541)
Net cash provided by (used in) financing activities	$327,571	(715,909)
Decrease in cash and cash equivalents	(83,228)	(99,936)
Cash and cash equivalents at beginning of period	469,630	614,630
Cash and cash equivalents at end of period	$386,402	514,694
Supplemental Cash Flow Information		
Cash paid during the period for:		
Income tax payments, net	4,693	1,669
Interest paid	83,861	85,332
Non-cash Activities		
Mortgage loans held for sale transferred to loans at fair value	334	14,471
Premises and equipment transferred to other assets held for sale	16,613	490
Loans foreclosed and transferred to other real estate	35,495	72,854
Loans transferred to other loans held for sale at fair value	36,736	117,806
Other loans held for sale transferred to loans at fair value	—	1,235
Other loans held for sale foreclosed and transferred to other real estate at fair value	—	3,246
Settlement of prepaid common stock purchase contracts	—	122,848
Securities purchased during the period but settled after period-end	—	35,160
Dispositions/Acquisitions:		
Fair value of non-cash assets (sold) acquired	(100,982)	536
Fair value of liabilities (sold) assumed	(191,553)	56,864

See accompanying notes to unaudited interim consolidated financial statements.

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Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

The accompanying unaudited interim consolidated financial statements of Synovus include the accounts of the Parent Company and its consolidated subsidiaries. Synovus provides integrated financial services, including commercial and retail banking, financial management, insurance, and mortgage services to its customers through locally-branded divisions of its wholly-owned subsidiary bank, Synovus Bank, in offices located throughout Georgia, Alabama, South Carolina, Florida, and Tennessee.

In addition to our banking operations, we also provide various other financial services to our customers through direct and indirect wholly-owned non-bank subsidiaries, including: Synovus Securities, Inc., headquartered in Columbus, Georgia, which specializes in professional portfolio management for fixed-income securities, investment banking, the execution of securities transactions as a broker/dealer and the provision of individual investment advice on equity and other securities; Synovus Trust Company, N.A., headquartered in Columbus, Georgia, which provides trust, asset management and financial planning services; and Synovus Mortgage Corp., headquartered in Birmingham, Alabama, which offers mortgage services.

Basis of Presentation

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

In preparing the unaudited interim consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the respective consolidated balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses; the valuation of other real estate; the fair value of investment securities; the fair value of private equity investments; the valuation of deferred tax assets; and contingent liabilities related to legal matters.

Cash and Cash Equivalents

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

Short-term Investments

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

Recently Adopted Accounting Standards Updates

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

Reclassifications

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

Subsequent Events

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

Note 2 - Share Repurchase Program

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

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

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

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

Note 4 - Sale of Branches

On January 17, 2014, Synovus completed the sale of certain loans, premises, deposits, and other assets and liabilities of the Memphis, Tennessee branches of Trust One Bank, a division of Synovus Bank. The sale included $89.6 million in total loans and $191.3 million in total deposits. Results for the nine months ended September 30, 2014 reflect a pre-tax gain, net of associated costs, of $5.8 million relating to this transaction.

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Note 5 - Investment Securities

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

(in thousands)	September 30, 2014 Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$42,627	41	—	42,668
U.S. Government agency securities	26,435	1,034	—	27,469
Securities issued by U.S. Government sponsored enterprises	81,549	778	—	82,327
Mortgage-backed securities issued by U.S. Government agencies	176,254	2,074	(933)	177,395
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,323,561	13,516	(20,469)	2,316,608
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	371,656	4,052	(2,249)	373,459
State and municipal securities	5,099	204	(2)	5,301
Equity securities	3,228	3,129	—	6,357
Other investments	19,110	—	(437)	18,673
Total investment securities available for sale	$3,049,519	24,828	(24,090)	3,050,257

(in thousands)	December 31, 2013 Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$17,791	—	—	17,791
U.S. Government agency securities	33,480	1,161	—	34,641
Securities issued by U.S. Government sponsored enterprises	112,305	1,440	—	113,745
Mortgage-backed securities issued by U.S. Government agencies	196,521	2,257	(3,661)	195,117
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,443,282	9,718	(31,640)	2,421,360
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	406,717	698	(8,875)	398,540
State and municipal securities	6,723	168	(2)	6,889
Equity securities	3,856	3,728	—	7,584
Other investments	4,074	—	(383)	3,691
Total investment securities available for sale	$3,224,749	19,170	(44,561)	3,199,358

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

At September 30, 2014 and December 31, 2013, investment securities with a carrying value of $1.93 billion and $2.33 billion respectively, were pledged to secure certain deposits and securities sold under repurchase agreements as required by law and contractual agreements.

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

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

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

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

	December 31, 2013					
	Less than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$—	—	—	—	—	—
U.S. Government agency securities	—	—	—	—	—	—
Securities issued by U.S. Government sponsored enterprises	—	—	—	—	—	—

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

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

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

Total fair value	$18,434	123,933	1,926,768	972,758	8,364	3,050,257

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

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

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Note 6 - Restructuring Charges

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

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

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

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

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

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Note 7 - Loans and Allowance for Loan Losses
The following is a summary of current, accruing past due, and non-accrual loans by portfolio class as of September 30, 2014 and December 31, 2013.
Current, Accruing Past Due, and Non-accrual Loans

	September 30, 2014					
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total
Investment properties	$4,978,360	1,565	142	1,707	38,979	5,019,046
1-4 family properties	1,098,574	9,759	103	9,862	29,118	1,137,554
Land acquisition	546,490	2,085	76	2,161	40,128	588,779
Total commercial real estate	6,623,424	13,409	321	13,730	108,225	6,745,379
Commercial, financial and agricultural	5,935,845	13,659	545	14,204	53,360	6,003,409
Owner-occupied	3,970,755	15,871	230	16,101	26,810	4,013,666
Total commercial and industrial	9,906,600	29,530	775	30,305	80,170	10,017,075
Home equity lines	1,658,917	9,656	524	10,180	16,875	1,685,972
Consumer mortgages	1,574,526	11,615	1,004	12,619	34,759	1,621,904
Credit cards	250,768	1,688	1,397	3,085	—	253,853
Other retail	288,086	2,747	46	2,793	2,353	293,232
Total retail	3,772,297	25,706	2,971	28,677	53,987	3,854,961
Total loans	$20,302,321	68,645	4,067	72,712	242,382	20,617,415 (1)

	December 31, 2013					
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total
Investment properties	$4,546,439	3,552	40	3,592	66,454	4,616,485
1-4 family properties	1,144,447	6,267	527	6,794	33,819	1,185,060
Land acquisition	549,936	1,100	300	1,400	154,095	705,431
Total commercial real estate	6,240,822	10,919	867	11,786	254,368	6,506,976
Commercial, financial and agricultural	5,812,490	18,985	813	19,798	62,977	5,895,265
Owner-occupied	3,985,705	11,113	129	11,242	39,239	4,036,186
Total commercial and industrial	9,798,195	30,098	942	31,040	102,216	9,931,451
Home equity lines	1,564,578	4,919	136	5,055	17,908	1,587,541
Consumer mortgages	1,460,219	18,068	1,011	19,079	39,770	1,519,068
Credit cards	253,422	1,917	1,507	3,424	—	256,846
Other retail	280,524	2,190	26	2,216	2,038	284,778
Total retail	3,558,743	27,094	2,680	29,774	59,716	3,648,233
Total loans	$19,597,760	68,111	4,489	72,600	416,300	20,086,660 (2)

(1)Total before net deferred fees and costs of $28.8 million.
(2)Total before net deferred fees and costs of $28.9 million.

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

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

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

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

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

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

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

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Loan Portfolio Credit Exposure by Risk Grade

	September 30, 2014						
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss		Total
Investment properties	$4,687,315	197,501	134,230	—	—		5,019,046
1-4 family properties	925,346	99,686	104,994	7,528	—		1,137,554
Land acquisition	460,829	55,707	71,336	907	—		588,779
Total commercial real estate	6,073,490	352,894	310,560	8,435	—		6,745,379
Commercial, financial and agricultural	5,667,272	174,559	151,871	8,562	1,145	(3)	6,003,409
Owner-occupied	3,728,191	124,702	159,502	839	432	(3)	4,013,666
Total commercial and industrial	9,395,463	299,261	311,373	9,401	1,577		10,017,075
Home equity lines	1,661,751	—	19,239	2,090	2,892	(3)	1,685,972
Consumer mortgages	1,577,632	—	42,323	1,610	339	(3)	1,621,904
Credit cards	252,510	—	539	—	804	(4)	253,853
Other retail	289,713	—	3,383	32	104	(3)	293,232
Total retail	3,781,606	—	65,484	3,732	4,139		3,854,961
Total loans	$19,250,559	652,155	687,417	21,568	5,716		20,617,415 (5)

	December 31, 2013						
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss		Total
Investment properties	$4,197,368	249,890	167,503	1,724	—		4,616,485
1-4 family properties	920,392	126,715	129,599	8,062	292	(3)	1,185,060
Land acquisition	422,054	94,316	186,514	2,547	—		705,431
Total commercial real estate	5,539,814	470,921	483,616	12,333	292		6,506,976
Commercial, financial and agricultural	5,451,369	224,620	208,422	10,764	90	(3)	5,895,265
Owner-occupied	3,714,400	155,097	164,560	2,129	—		4,036,186
Total commercial and industrial	9,165,769	379,717	372,982	12,893	90		9,931,451
Home equity lines	1,559,272	—	25,177	1,314	1,778	(3)	1,587,541
Consumer mortgages	1,475,928	—	40,368	2,485	287	(3)	1,519,068
Credit cards	255,339	—	541	—	966	(4)	256,846
Other retail	281,179	—	3,400	75	124	(3)	284,778
Total retail	3,571,718	—	69,486	3,874	3,155		3,648,233
Total loans	$18,277,301	850,638	926,084	29,100	3,537		20,086,660 (6)

(1) Includes $215.1 million and $383.7 million of non-accrual Substandard loans at September 30, 2014 and December 31, 2013, respectively.
(2) The loans within this risk grade are on non-accrual status. Commercial loans generally have an allowance for loan losses in accordance with ASC 310, and retail loans generally have an allowance for loan losses equal to 50% of the loan amount.
(3) The loans within this risk grade are on non-accrual status and have an allowance for loan losses equal to the full loan amount.
(4) Represent amounts that were 120 days past due. These credits are downgraded to the Loss category with an allowance for loan losses equal to the full loan amount and are generally charged off upon reaching 181 days past due in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy.

(5)Total before net deferred fees and costs of $28.8 million.
(6)Total before net deferred fees and costs of $28.9 million.

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

	As Of and For The Nine Months Ended September 30, 2014				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$127,646	115,435	41,479	23,000	307,560
Allowance for loan losses of sold branches	(281)	(398)	(340)	—	(1,019)
Charge-offs	(41,139)	(26,896)	(19,082)	—	(87,117)
Recoveries	8,318	9,562	6,434	—	24,314
Provision (credit) for loan losses	7,445	27,140	14,053	(23,000)	25,638
Ending balance	$101,989	124,843	42,544	—	269,376
Ending balance: individually evaluated for impairment	22,107	15,863	1,195	—	39,165
Ending balance: collectively evaluated for impairment	$79,882	108,980	41,349	—	230,211
Loans:					
Ending balance: total loans(1)	$6,745,379	10,017,075	3,854,961	—	20,617,415
Ending balance: individually evaluated for impairment	317,011	172,860	47,669	—	537,540
Ending balance: collectively evaluated for impairment	$6,428,368	9,844,215	3,807,292	—	20,079,875

	As Of and For The Nine Months Ended September 30, 2013				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$167,926	138,495	38,984	28,000	373,405
Charge-offs	(73,825)	(44,104)	(27,359)	—	(145,288)
Recoveries	11,861	17,266	5,834	—	34,961
Provision (credit) for loan losses	31,221	7,462	21,851	(5,000)	55,534
Ending balance	$137,183	119,119	39,310	23,000	318,612
Ending balance: individually evaluated for impairment	50,737	25,194	2,120	—	78,051
Ending balance: collectively evaluated for impairment	$86,446	93,925	37,190	23,000	240,561
Loans:					
Ending balance: total loans(2)	$6,458,518	9,705,425	3,572,669	—	19,736,612
Ending balance: individually evaluated for impairment	569,128	259,764	53,061	—	881,953
Ending balance: collectively evaluated for impairment	$5,889,390	9,445,661	3,519,608	—	18,854,659

(1)Total before net deferred fees and costs of $28.8 million.
(2)Total before net deferred fees and costs of $25.0 million.

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

	As Of and For The Three Months Ended September 30, 2014				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$104,394	130,814	42,575	—	277,783
Charge-offs	(5,233)	(11,306)	(6,222)	—	(22,761)
Recoveries	3,099	5,257	2,155	—	10,511
Provision for loan losses	(271)	78	4,036	—	3,843
Ending balance	$101,989	124,843	42,544	—	269,376
Ending balance: individually evaluated for impairment	22,107	15,863	1,195	—	39,165
Ending balance: collectively evaluated for impairment	$79,882	108,980	41,349	—	230,211
Loans:					
Ending balance: total loans(1)	$6,745,379	10,017,075	3,854,961	—	20,617,415
Ending balance: individually evaluated for impairment	317,011	172,860	47,669	—	537,540
Ending balance: collectively evaluated for impairment	$6,428,368	9,844,215	3,807,292	—	20,079,875

	As Of and For The Three Months Ended September 30, 2013				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$138,329	133,190	40,361	23,000	334,880
Charge-offs	(9,474)	(13,871)	(6,908)	—	(30,253)
Recoveries	2,766	2,152	2,306	—	7,224
Provision (credit) for loan losses	5,562	(2,352)	3,551	—	6,761
Ending balance	$137,183	$119,119	39,310	23,000	318,612
Ending balance: individually evaluated for impairment	50,737	25,194	2,120	—	78,051
Ending balance: collectively evaluated for impairment	$86,446	93,925	37,190	23,000	240,561
Loans:					
Ending balance: total loans(2)	$6,458,518	9,705,425	3,572,669	—	19,736,612
Ending balance: individually evaluated for impairment	569,128	259,764	53,061	—	881,953
Ending balance: collectively evaluated for impairment	$5,889,390	9,445,661	3,519,608	—	18,854,659

(1)Total before net deferred fees and costs of $28.8 million.
(2)Total before net deferred fees and costs of $25.0 million.

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

- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses
- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or grade loans
- experience, ability, and depth of lending management, loan review personnel, and other relevant staff
- changes in the quality of the loan review function
- national and local economic trends and conditions
- changes in the value of underlying collateral for collateral-dependent loans
- changes in the nature and volume of the loan portfolio
- effects of changes in credit concentrations
- model uncertainty

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Management determined that, prospectively, the assessment of these qualitative factors for each loan segment would improve the overall level of precision of the allowance for loan loss estimation process. The designation of this component of the unallocated allowance to the allocated allowance did not result in a change to the total allowance for loan losses or provision expense for the first quarter of 2014. The allowance for loan losses continues to consist of an allocated component (which includes the qualitative factors noted above as well as the qualitative factors disclosed in Synovus' 2013 Form 10-K) and an unallocated component. Beginning March 31, 2014, the unallocated component relates to risk elements, if any, which are not already included in the allocated allowance.

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

Impaired Loans (including accruing TDRs)

	September 30, 2014			Nine Months Ended September 30, 2014		Three Months Ended September 30, 2014	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded							
Investment properties	$33,849	46,096	—	24,949	—	33,167	—
1-4 family properties	4,386	12,251	—	5,984	—	4,151	—
Land acquisition	29,501	76,068	—	31,187	—	29,584	—
Total commercial real estate	67,736	134,415	—	62,120	—	66,902	—
Commercial, financial and agricultural	5,705	12,109	—	9,917	—	6,785	—
Owner-occupied	15,300	17,512	—	21,024	—	17,942	—
Total commercial and industrial	21,005	29,621	—	30,941	—	24,727	—
Home equity lines	—	—	—	—	—	—	—
Consumer mortgages	995	2,065	—	1,471	—	1,869	—
Credit cards	—	—	—	—	—	—	—
Other retail	—	—	—	—	—	—	—
Total retail	995	2,065	—	1,471	—	1,869	—
Total impaired loans with no related allowance recorded	$89,736	166,101	—	94,532	—	93,498	—
With allowance recorded							
Investment properties	117,707	119,560	6,621	141,128	3,034	118,729	961
1-4 family properties	83,797	84,588	10,694	99,038	2,209	87,829	613
Land acquisition	47,771	47,914	4,792	102,880	1,264	48,499	418
Total commercial real estate	249,275	252,062	22,107	343,046	6,507	255,057	1,992
Commercial, financial and agricultural	81,036	85,771	12,532	97,143	1,877	82,271	553
Owner-occupied	70,819	70,842	3,331	83,392	2,029	80,653	601
Total commercial and industrial	151,855	156,613	15,863	180,535	3,906	162,924	1,154
Home equity lines	3,822	3,822	68	3,253	71	3,809	40
Consumer mortgages	37,591	37,591	1,029	40,582	999	39,217	457
Credit cards	—	—	—	—	—	—	—
Other retail	5,261	5,261	98	4,892	228	5,171	88
Total retail	46,674	46,674	1,195	48,727	1,298	48,197	585
Total impaired loans with allowance recorded	$447,804	455,349	39,165	572,308	11,711	466,178	3,731
Total impaired loans							
Investment properties	$151,556	165,656	6,621	166,077	3,034	151,896	961
1-4 family properties	88,183	96,839	10,694	105,022	2,209	91,980	613
Land acquisition	77,272	123,982	4,792	134,067	1,264	78,083	418
Total commercial real estate	317,011	386,477	22,107	405,166	6,507	321,959	1,992
	86,741	97,880	12,532	107,060	1,877	89,056	553

Commercial, financial and agricultural							
Owner-occupied	86,119	88,354	3,331	104,416	2,029	98,595	601
Total commercial and industrial	172,860	186,234	15,863	211,476	3,906	187,651	1,154
Home equity lines	3,822	3,822	68	3,253	71	3,809	40
Consumer mortgages	38,586	39,656	1,029	42,053	999	41,086	457
Credit cards	—	—	—	—	—	—	—
Other retail	5,261	5,261	98	4,892	228	5,171	88
Total retail	47,669	48,739	1,195	50,198	1,298	50,066	585
Total impaired loans	$537,540	621,450	39,165	666,840	11,711	559,676	3,731

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Impaired Loans (including accruing TDRs)

(in thousands)	December 31, 2013 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2013 Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Investment properties	$14,218	15,820	—	18,046	—
1-4 family properties	9,679	29,741	—	23,879	—
Land acquisition	30,595	78,470	—	41,007	—
Total commercial real estate	54,492	124,031	—	82,932	—
Commercial, financial and agricultural	13,490	22,312	—	15,355	—
Owner-occupied	24,839	32,626	—	22,472	—
Total commercial and industrial	38,329	54,938	—	37,827	—
Home equity lines	—	—	—	33	—
Consumer mortgages	1,180	2,840	—	1,487	—
Credit cards	—	—	—	—	—
Other retail	—	—	—	4	—
Total retail	1,180	2,840	—	1,524	—
Total impaired loans with no related allowance recorded	$94,001	181,809	—	122,283	—
With allowance recorded					
Investment properties	$186,058	193,765	8,863	227,073	5,062
1-4 family properties	115,151	117,498	11,135	115,629	3,464
Land acquisition	183,029	202,048	26,789	191,807	2,931
Total commercial real estate	484,238	513,311	46,787	534,509	11,457
Commercial, financial and agricultural	115,532	120,290	15,559	128,680	3,630
Owner-occupied	89,001	94,869	4,459	107,949	3,656
Total commercial and industrial	204,533	215,159	20,018	236,629	7,286
Home equity lines	2,750	2,750	116	4,668	176
Consumer mortgages	44,019	44,019	967	48,674	1,910
Credit cards	—	—	—	—	—
Other retail	7,013	7,013	109	5,555	285
Total retail	53,782	53,782	1,192	58,897	2,371
Total impaired loans with allowance recorded	$742,553	782,252	67,997	830,035	21,114
Total impaired loans					
Investment properties	$200,276	209,585	8,863	245,119	5,062
1-4 family properties	124,830	147,239	11,135	139,508	3,464
Land acquisition	213,624	280,518	26,789	232,814	2,931
Total commercial real estate	538,730	637,342	46,787	617,441	11,457
Commercial, financial and agricultural	129,022	142,602	15,559	144,035	3,630
Owner-occupied	113,840	127,495	4,459	130,421	3,656
Total commercial and industrial	242,862	270,097	20,018	274,456	7,286
Home equity lines	2,750	2,750	116	4,701	176
Consumer mortgages	45,199	46,859	967	50,161	1,910
Credit cards	—	—	—	—	—
Other retail	7,013	7,013	109	5,559	285
Total retail	54,962	56,622	1,192	60,421	2,371

Total impaired loans	$836,554	964,061	67,997	952,318	21,114

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The average recorded investment in impaired loans was $666.8 million and $559.7 million for the nine and three months ended September 30, 2014, respectively. Excluding accruing TDRs, there was no interest income recognized for the investment in impaired loans for the nine and three months ended September 30, 2014 and 2013. Interest income recognized for accruing TDRs was $11.7 million and $3.7 million, respectively, for the nine and three months ended September 30, 2014 and $16.1 million and $5.2 million, respectively, for the nine and three months ended September 30, 2013 . At September 30, 2014 and December 31, 2013, all impaired loans other than $408.7 million and $574.2 million, respectively, of accruing TDRs, were on non-accrual status.

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

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

TDRs by Concession Type

	Nine Months Ended September 30, 2014					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	14	$—	8,423	5,598	14,021	
1-4 family properties	36	—	2,390	3,859	6,249	
Land acquisition	15	2,338	4,721	2,688	9,747	
Total commercial real estate	65	2,338	15,534	12,145	30,017	
Commercial, financial and agricultural	68	60	7,639	16,977	24,676	
Owner-occupied	14	—	22,178	14,392	36,570	
Total commercial and industrial	82	60	29,818	31,369	61,247	
Home equity lines	11	—	1,163	451	1,614	
Consumer mortgages	13	—	2,296	315	2,611	
Credit cards	—	—	—	—	—	
Other retail	17	—	543	385	928	
Total retail	41	—	4,002	1,151	5,153	
Total TDRs	188	$2,398	49,354	44,665	96,417	(1)

	Three Months Ended September 30, 2014					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	4	$—	875	3,899	4,774	
1-4 family properties	7	—	879	203	1,082	
Land acquisition	3	2,338	204	646	3,188	
Total commercial real estate	14	2,338	1,958	4,748	9,044	
Commercial, financial and agricultural	28	60	3,098	5,280	8,438	
Owner-occupied	2	—	2,703	130	2,833	
Total commercial and industrial	30	60	5,802	5,410	11,272	
Home equity lines	5	—	435	—	435	
Consumer mortgages	5	—	543	212	755	
Credit cards	—	—	—		—	
Other retail	7	—	101	150	251	
Total retail	17	—	1,079	362	1,441	
Total TDRs	61	$2,398	8,839	10,520	21,757	(2)

(1) Net charge-offs of $163 thousand were recorded during the nine months ended September 30, 2014 upon restructuring of these loans.
(2) Net charge-offs of $163 thousand were recorded during the three months ended September 30, 2014 upon restructuring of these loans.

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TDRs by Concession Type

	Nine Months Ended September 30, 2013					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	44	—	121,263	4,372	125,635	
1-4 family properties	99	424	28,863	8,629	37,916	
Land acquisition	26	74	113,627	9,763	123,464	
Total commercial real estate	169	498	263,753	22,764	287,015	
Commercial, financial and agricultural	85	183	21,600	12,675	34,458	
Owner-occupied	51	—	21,571	22,935	44,506	
Total commercial and industrial	136	183	43,171	35,610	78,964	
Home equity lines	1	—	—	80	80	
Consumer mortgages	123	—	10,230	4,004	14,234	
Credit cards	—	—	—	—	—	
Other retail	56	—	879	1,424	2,303	
Total retail	180	—	11,109	5,508	16,617	
Total TDRs	485	681	318,033	63,882	382,596	(1)

	Three Months Ended September 30, 2013					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total	
Investment properties	13	—	74,111	—	74,111	
1-4 family properties	41	—	4,832	2,133	6,965	
Land acquisition	10	—	108,295	2,532	110,827	
Total commercial real estate	64	—	187,238	4,665	191,903	
Commercial, financial and agricultural	16	—	3,152	2,737	5,889	
Owner-occupied	12	—	5,575	7,940	13,515	
Total commercial and industrial	28	—	8,727	10,677	19,404	
Home equity lines	—	—	—	—	—	
Consumer mortgages	39	—	3,106	966	4,072	
Credit cards	—	—	—	—	—	
Other retail	18	—	419	396	815	
Total retail	57	—	3,525	1,362	4,887	
Total TDRs	149	—	199,490	16,704	216,194	(2)

(1) Net charge-offs of $199 thousand were recorded during the nine months ended September 30, 2013 upon restructuring of these loans.
(2) Net charge-offs of $146 thousand were recorded during the three months ended September 30, 2013 upon restructuring of these loans.

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

Troubled Debt Restructurings Entered Into That Subsequently Defaulted* During

	Nine Months Ended September 30, 2014		Three Months Ended September 30, 2014	
(in thousands, except contract data)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Investment properties	1	$186	—	$—
1-4 family properties	3	1,018	—	—
Land acquisition	1	428	—	—
Total commercial real estate	5	1,632	—	—
Commercial, financial and agricultural	4	1,559	2	181
Owner-occupied	—	—	—	—
Total commercial and industrial	4	1,559	2	181
Home equity lines	—	—	—	—
Consumer mortgages	3	206	2	136
Credit cards	—	—	—	—
Other retail	—	—	—	—
Total retail	3	206	2	136
Total TDRs	12	$3,397	4	$317

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

Troubled Debt Restructurings Entered Into That Subsequently Defaulted* During

	Nine Months Ended September 30, 2013		Three Months Ended September 30, 2013	
(in thousands, except contract data)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Investment properties	2	$4,519	—	$—
1-4 family properties	9	12,374	1	1,620
Land acquisition	1	126	—	—
Total commercial real estate	12	17,019	1	1,620
Commercial, financial and agricultural	3	409	—	—
Owner-occupied	2	924	—	—
Total commercial and industrial	5	1,333	—	—
Home equity lines	1	98	1	98
Consumer mortgages	15	1,195	2	217
Credit cards	—	—	—	—
Other retail	1	195	—	—
Total retail	17	1,488	3	315
Total TDRs	34	$19,840	4	$1,935

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

If, at the time a loan was designated as a TDR, the loan was not already impaired, the measurement of impairment that resulted from the TDR designation changes from a general pool-level reserve to a specific loan measurement of impairment in accordance with ASC 310-10-35. Generally, the change in the allowance for loan losses resulting from such TDR designation is not significant. At September 30, 2014, the allowance for loan losses allocated to accruing TDRs totaling $408.7 million was $22.7 million compared to accruing TDRs of $556.4 million with an allocated allowance for loan losses of $27.7 million at December 31, 2013. Non-accrual, non-homogeneous loans (commercial-type impaired loans greater than $1 million) that are designated as TDRs, are individually measured for the amount of impairment, if any, both before and after the TDR designation.

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Note 8 - Other Real Estate

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

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

The carrying value of ORE was $81.6 million and $112.6 million at September 30, 2014 and December 31, 2013, respectively. During the nine months ended September 30, 2014 and 2013, $35.5 million and $76.2 million, respectively, of loans and other loans held for sale were foreclosed and transferred to other real estate at fair value less costs to sell. During the nine months ended September 30, 2014 and 2013, Synovus recognized foreclosed real estate expense, net, of $18.8 million and $28.8 million, respectively. These expenses included write-downs for declines in fair value of ORE subsequent to the date of foreclosure and net realized losses resulting from sales transactions totaling $16.7 million and $22.7 million for the nine months ended September 30, 2014 and 2013, respectively.

Note 9 - Other Comprehensive Income (Loss)

The following table illustrates activity within the balances in accumulated other comprehensive income (loss) by component, and is shown for the nine and three months ended September 30, 2014 and 2013.

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

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance as of December 31, 2013	$(13,099)	(28,936)	777	(41,258)
Other comprehensive income before reclassifications	—	16,888	243	17,131
Amounts reclassified from accumulated other comprehensive income (loss)	206	(818)	(88)	(700)
Net current period other comprehensive income (loss)	206	16,070	155	16,431
Balance as of September 30, 2014	$(12,893)	(12,866)	932	(24,827)
Balance as of July 1, 2014	$(12,962)	(1,686)	932	(13,716)
Other comprehensive income before reclassifications	—	(11,180)	—	(11,180)
	69	—	—	69

Amounts reclassified from accumulated other comprehensive income (loss)				
Net current period other comprehensive income (loss)	69	(11,180)	—	(11,111)
Balance as of September 30, 2014	$(12,893)	(12,866)	932	(24,827)

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

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance as of December 31, 2012	$(13,373)	17,111	363	4,101
Other comprehensive income (loss) before reclassifications	—	(32,698)	519	(32,179)
Amounts reclassified from accumulated other comprehensive income (loss)	205	(1,581)	(60)	(1,436)
Net current period other comprehensive income (loss)	205	(34,279)	459	(33,615)
Balance as of September 30, 2013	$(13,168)	(17,168)	822	(29,514)
Balance as of July 1, 2013	$(13,237)	(20,689)	866	(33,060)
Other comprehensive income (loss) before reclassifications	—	4,212	—	4,212
Amounts reclassified from accumulated other comprehensive income (loss)	69	(691)	(44)	(666)
Net current period other comprehensive income (loss)	69	3,521	(44)	3,546
Balance as of September 30, 2013	$(13,168)	(17,168)	822	(29,514)

In accordance with ASC 740-20-45-11(b), a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income is charged directly to other comprehensive income (loss). Thus, during the years 2010 and 2011, Synovus recorded a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income directly to other comprehensive income (loss) by applying the portfolio approach for allocation of the valuation allowance. Synovus has consistently applied the portfolio approach which treats derivative financial instruments, equity securities, and debt securities as a single portfolio. As of September 30, 2014, the ending balance in net unrealized gains (losses) on cash flow hedges and net unrealized gains (losses) on investment securities available for sale includes unrealized losses of $12.1 million and $13.3 million, respectively, related to the residual tax effects remaining in OCI due to the previously established deferred tax asset valuation allowance. Under the portfolio approach, these unrealized losses are realized at the time the entire portfolio is sold or disposed.

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The following table illustrates activity within the reclassifications out of accumulated other comprehensive income (loss), for the nine and three months ended September 30, 2014 and 2013.

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

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)		Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$(336	)	Interest expense
	130		Income tax (expense) benefit
	$(206	)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$1,331		Investment securities gains, net
	(513	)	Income tax (expense) benefit
	$818		Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$144		Salaries and other personnel expense
	(56	)	Income tax (expense) benefit
	$88		Reclassifications, net of income taxes

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

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)		Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$(112	)	Interest expense
	43		Income tax (expense) benefit
	$(69	)	Reclassifications, net of income taxes

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

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)		Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$(336	)	Interest expense
	131		Income tax (expense) benefit
	$(205	)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$2,571		Investment securities gains, net
	(990	)	Income tax (expense) benefit
	$1,581		Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$98		Salaries and other personnel expense
	(38	)	Income tax (expense) benefit
	$60		Reclassifications, net of income taxes

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

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)		Affected line item in the statement where net income is presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$(112	)	Interest expense
	43		Income tax (expense) benefit
	$(69	)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$1,124		Investment securities gains, net
	(433	)	Income tax (expense) benefit
	$691		Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$72		Salaries and other personnel expense
	(28	)	Income tax (expense) benefit
	$44		Reclassifications, net of income taxes

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Note 10 - Fair Value Accounting

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

Fair Value Hierarchy

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

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

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

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	September 30, 2014			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	$—	3,502	—	3,502
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	3,677	—	3,677
State and municipal securities	—	—	—	—
All other mortgage-backed securities	—	4,174	—	4,174
Other investments	97	1,255	—	1,352
Total trading securities	$97	12,608	—	12,705
Mortgage loans held for sale	—	72,333	—	72,333
Investment securities available for sale:				
U.S. Treasury securities	42,668	—	—	42,668
U.S. Government agency securities	—	27,469	—	27,469
Securities issued by U.S. Government sponsored enterprises	—	82,327	—	82,327
Mortgage-backed securities issued by U.S. Government agencies	—	177,395		