

SYNOVUS FINANCIAL CORP
Form 10-Q
November 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

Commission File Number 1-10312

SYNOVUS FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

GEORGIA
(State or other jurisdiction of
incorporation or organization)

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

1111 Bay Avenue, Suite # 500

P.O. Box 120

Columbus, Georgia 31902

(Address of principal executive offices)

(706) 649-2311

(Registrants telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the

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registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
(Do not check if a smaller reporting company)

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

Yes No

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

Class	October 31, 2011
Common Stock, \$1.00 Par Value	785,280,277 shares

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INDEX OF DEFINED TERMS

ALCO - Asset Liability Management Committee

ASC - Accounting Standards Codification

ASU - Accounting Standards Update

BOV - broker's opinion of value

bp - basis point

CD - certificate of deposit

C&D - residential construction and development

CB&T - Columbus Bank and Trust Company, a division of Synovus Bank. Synovus Bank is a wholly owned subsidiary of Synovus Financial Corp.

Charter Consolidation - Synovus' consolidation of its banking subsidiaries into a single bank charter in 2010

CPP - U.S. Department of the Treasury Capital Purchase Program

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

DTA - deferred tax asset

EL - expected loss

Exchange Act - Securities Exchange Act of 1934, as amended

FASB - Financial Accounting Standards Board

FDIC - Federal Deposit Insurance Corporation

FFIEC - Federal Financial Institutions Examination Council

FHLB - Federal Home Loan Bank

FICO - Fair Isaac Corporation

GAAP - U.S. Generally Accepted Accounting Principles

GDP - Gross Domestic Product

GSE - government sponsored enterprise

HELOC - home equity line of credit

IFRS - International Financial Reporting Standards

IRC - Internal Revenue Code

IRS - Internal Revenue Service

LGD - loss given default

LIBOR - London Interbank Offered Rate

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LIHTC - low income housing tax credit

LTV - loan-to-collateral value ratio

MBS - mortgage-backed securities

nm - not meaningful

NPA - non-performing asset

NPL - non-performing loan

NSF - non-sufficient funds

ORE - other real estate

PD - probability of default

Report - quarterly report on Form 10-Q

Retiree Medical Plan or **Plan** - the Synovus Retiree Medical Plan

SEC - U.S. Securities and Exchange Commission

Securities Act - Securities Act of 1933, as amended

Shared Deposit - Prior to the Charter Consolidation, Synovus offered this deposit product which gave its customers the opportunity to access up to \$7.5 million in FDIC insurance by spreading deposits across its 30 separately-chartered banks.

Synovus - Synovus Financial Corp.

Synovus 2010 10-K - Synovus annual report on Form 10-K/A for the year ended December 31, 2010

Synovus Mortgage - Synovus Mortgage Corp.

TARP - Troubled Asset Relief Program

TBA - to-be-announced (with respect to mortgage-backed securities to be delivered in the future)

TDR - troubled debt restructuring

The Covered Litigation - Certain Visa, Inc. litigation for which Visa is indemnified by Visa USA members

The Visa Derivative - A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the parties based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares.

tMEDS - tangible equity units

VIE - variable interest entity

Visa - Visa, Inc.

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Visa Class B shares - Class B shares of common stock issued by Visa, Inc. which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled.

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

<i>(in thousands, except share data)</i>	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 452,034	389,021
Interest bearing funds with Federal Reserve Bank	2,750,953	3,103,896
Interest earning deposits with banks	21,560	16,446
Federal funds sold and securities purchased under resale agreements	189,304	160,502
Trading account assets, at fair value	17,467	22,294
Mortgage loans held for sale, at fair value	125,379	232,839
Other loans held for sale	53,074	127,365
Investment securities available for sale, at fair value	3,596,511	3,440,268
Loans, net of deferred fees and costs	20,102,086	21,585,763
Allowance for loan losses	(595,383)	(703,547)
Loans, net	19,506,703	20,882,216
Premises and equipment, net	488,074	544,971
Goodwill	24,431	24,431
Other intangible assets, net	9,482	12,434
Other real estate	239,255	261,305
Other assets	779,697	875,160
Total assets	\$ 28,253,924	30,093,148
LIABILITIES AND EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	\$ 5,249,335	4,298,372
Interest bearing deposits, excluding brokered deposits	15,702,461	17,049,583
Brokered deposits	2,157,631	3,152,349
Total deposits	23,109,427	24,500,304
Federal funds purchased and other short-term borrowings	328,806	499,226
Long-term debt	1,522,334	1,808,161
Other liabilities	463,909	260,910
Total liabilities	25,424,476	27,068,601

Equity

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Shareholders' equity:		
Cumulative perpetual preferred stock - no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding at September 30, 2011 and December 31, 2010	944,538	937,323
Common stock - \$1.00 par value. Authorized 1,200,000,000 shares; issued 790,973,729 at September 30, 2011 and 790,956,289 at December 31, 2010; outstanding 785,280,277 at September 30, 2011 and 785,262,837 at December 31, 2010	790,974	790,956
Additional paid-in capital	2,254,068	2,293,264
Treasury stock, at cost - 5,693,452 shares at September 30, 2011 and December 31, 2010	(114,176)	(114,176)
Accumulated other comprehensive income	32,189	57,158
Accumulated deficit	(1,078,145)	(966,607)
 Total shareholders' equity	 2,829,448	 2,997,918
 Non-controlling interest in subsidiaries		 26,629
 Total equity	 2,829,448	 3,024,547
 Total liabilities and equity	 \$ 28,253,924	 30,093,148

See accompanying notes to consolidated financial statements.

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

<i>(in thousands, except per share data)</i>	Nine Months Ended		Three Months Ended	
	September 30,	2010	September 30,	2010
Interest income:				
Loans, including fees	\$ 773,586	893,120	251,952	289,320
Investment securities available for sale	83,969	101,646	26,620	32,163
Trading account assets	691	606	212	184
Mortgage loans held for sale	4,343	5,655	1,309	2,507
Other loans held for sale	302	15	5	(6)
Federal funds sold and securities purchased under resale agreements	95	170	25	67
Interest on Federal Reserve Bank balances	5,363	5,798	1,839	2,252
Interest earning deposits with banks	104	14	8	3
Total interest income	868,453	1,007,024	281,970	326,490
Interest expense:				
Deposits	138,086	228,595	42,653	68,824
Federal funds purchased and other short-term borrowings	851	1,557	256	470
Long-term debt	32,518	32,506	10,458	11,736
Total interest expense	171,455	262,658	53,367	81,030
Net interest income	696,998	744,366	228,603	245,460
Provision for losses on loans	364,230	878,872	102,325	239,020
Net interest income (expense) after provision for losses on loans	332,768	(134,506)	126,278	6,440
Non-interest income:				
Service charges on deposit accounts	59,595	80,867	20,039	26,711
Fiduciary and asset management fees	35,046	33,103	11,631	10,408
Brokerage revenue	19,067	19,435	6,556	6,736
Mortgage revenue, net	15,469	22,295	7,427	10,163
Bankcard fees	34,344	29,989	11,562	10,674
Investment securities gains (losses), net	64,670	(1,043)	62,873	(612)
Other fee income	15,643	16,372	5,423	5,440
(Decrease) increase in fair value of private equity investments, net	(941)	5,703	(771)	3,521
Other non-interest income	22,512	18,735	8,652	8,723
Total non-interest income	265,405	225,456	133,392	81,764
Non-interest expense:				
Salaries and other personnel expense	278,033	313,885	93,184	105,933
Net occupancy and equipment expense	86,698	91,877	27,981	31,311
FDIC insurance and other regulatory fees	45,826	52,794	15,463	16,178
Foreclosed real estate expense, net	101,716	142,837	37,108	50,890
(Gains) losses on other loans held for sale, net	(2,591)	73	(846)	
Professional fees	30,264	33,399	10,135	12,424

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Data processing expense	27,225	33,123	9,024	11,117
Restructuring charges	30,026	3,420	2,587	3,420
Loss on curtailment of post-retirement defined benefit plan	398			
Other operating expenses	87,088	109,162	27,916	37,738
Total non-interest expense	684,683	780,570	222,552	269,011
(Loss) income from continuing operations before income taxes	(86,510)	(689,620)	37,118	(180,807)
Income tax expense (benefit)	1,690	(21,034)	6,910	360
(Loss) income from continuing operations	(88,200)	(668,586)	30,208	(181,167)
Income from discontinued operations, net of income taxes and non- controlling interest		43,162		
Net (loss) income	(88,200)	(625,424)	30,208	(181,167)
Net (loss) income available to non-controlling interest	(220)	(313)		277
Net (loss) income available to controlling interest	(87,980)	(625,111)	30,208	(181,444)
Dividends and accretion of discount on preferred stock	43,510	43,079	14,541	14,394
Net (loss) income available to common shareholders	\$ (131,490)	(668,190)	15,667	(195,838)
Net (loss) income per common share, basic and diluted:				
Net (loss) income from continuing operations available to common shareholders	\$ (0.17)	(1.09)	0.02	(0.25)
Net (loss) income available to common shareholders	\$ (0.17)	(1.03)	0.02	(0.25)
Weighted average common shares outstanding, basic	785,267	651,507	785,280	784,916
Weighted average common shares outstanding, diluted	785,267	651,507	910,816	784,916

See accompanying notes to consolidated financial statements.

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

<i>(in thousands, except per share data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated	Non- Controlling Interest	Total	
					Other Comprehensive (Accumulated Income (Loss) Deficit)			
Balance at December 31, 2009	\$ 928,207	495,514	1,604,362	(114,155)	84,806	(147,693)	20,460	2,871,501
Net loss						(625,111)	(313)	(625,424)
Other comprehensive income, net of tax:								
Change in net unrealized gain on cash flow hedges					(9,768)			(9,768)
Change in net unrealized gains and losses on investment securities available for sale, net of reclassification adjustment					16,756			16,756
Amortization of post-retirement unfunded health benefit					(682)			(682)
Other comprehensive income					6,306			6,306
Comprehensive loss								(619,118)
Cash dividends declared on common stock \$0.03 per share						(20,603)		(20,603)
Cash dividends paid on preferred stock			(36,295)					(36,295)
Accretion of discount on preferred stock	6,784		(6,784)					
Issuance of common stock, net of issuance costs		293,250	475,864					769,114
Issuance of prepaid common stock purchase contracts			265,564					265,564
Settlement of prepaid common stock purchase contracts		1,959	(1,959)					
Treasury shares purchased				(21)				(21)
Issuance of non-vested stock, net of forfeitures		(5)	5					
Restricted share unit activity		32	(32)					
Share-based compensation expense			5,980					5,980
Stock options exercised		1						1
Share-based compensation tax deficiency			(127)					(127)
Change in ownership at majority-owned subsidiary						217	4,796	5,013
Balance at September 30, 2010	\$ 934,991	790,751	2,306,578	(114,176)	91,112	(793,190)	24,943	3,241,009
Balance at December 31, 2010	\$ 937,323	790,956	2,293,264	(114,176)	57,158	(966,607)		