SYNOVUS FINANCIAL CORP
Form 10-Q
May 10, 2012
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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 March 31, 2012
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	New York Stock Exchange
Tangible Equity Units	New York Stock Exchange
Series B Participating Cumulative Preferred Stock Purchase Rights	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 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	April 30, 2012
Common Stock, $1.00 Par Value	786,575,516 shares

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SYNOVUS FINANCIAL CORP.
INDEX OF DEFINED TERMS

2013 Senior Notes – Synovus' outstanding 4.875% Senior Notes due February 15, 2013
2019 Senior Notes – Synovus' 7.875% Senior Notes due February 15, 2019
ALCO – Synovus' Asset Liability Management Committee
ALL – Allowance for Loan Losses
ARRA – American Recovery and Reinvestment Act of 2009
ASC – Accounting Standards Codification
ASU – Accounting Standards Update
AUM – assets under management
BAM – Broadway Asset Management, Inc., a wholly-owned subsidiary of Synovus Financial Corp.
BCBS – Basel Committee on Banking Supervision
BSA/AML – Bank Secrecy Act / Anti-Money Laundering
BOV – broker’s opinion of value
bp – basis point (bps - basis points)
CD – certificate of deposit
C&D – residential construction and development loans
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.
CAMELS Rating System – A term defined by bank supervisory authorities, referring to Capital, Assets, Management, Earnings, Liquidity, and Sensitivity to Market Risk
CEO – Chief Executive Officer
CFO – Chief Financial Officer
CFPB – Consumer Finance Protection Bureau
Charter Consolidation – Synovus’ consolidation of its 30 banking subsidiaries into a single bank charter in 2010
CMO – collateralized mortgage obligation
Code – Internal Revenue Code of 1986, as amended
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 Repurchase Program
CRE – commercial real estate
CROA – Credit Repair Organization Act
DIF – Deposit Insurance Fund
Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act
DRR – Designated Reserve Ratio
DTA – deferred tax asset
EBITDA – earnings before interest, depreciation and amortization

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EESA – Emergency Economic Stabilization Act of 2008
EITF – Emerging Issues Task Force
EL – expected loss
EPS – earnings per share
Exchange Act – Securities Exchange Act of 1934, as amended
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FINRA – Financial Industry Regulatory Authority
FFIEC – Federal Financial Institutions Examination Council
FHLB – Federal Home Loan Bank
FICO – Fair Isaac Corporation
GA DBF – Georgia Department of Banking and Finance
GAAP – Accounting Principles Generally Accepted in the United States of America
GDP – gross domestic product
Georgia Commissioner – Banking Commissioner of the State of Georgia
GSE – government sponsored enterprise
HELOC – home equity line of credit
IASB – International Accounting Standards Board
IFRS – International Financial Reporting Standards
IOLTA – Interest on Lawyer Trust Account
IPO – Initial Public Offering
IRC – Internal Revenue Code of 1986, as amended
IRS – Internal Revenue Service
LGD – loss given default
LIBOR – London Interbank Offered Rate
LIHTC – Low Income Housing Tax Credit
LTV – loan-to-collateral value ratio
MAD – Managed Assets Division, a division of Synovus Bank
MBS – mortgage-backed securities
NBER – National Bureau of Economic Research
nm – not meaningful
NPA – non-performing assets
NPL – non-performing loans
NSF – non-sufficient funds
NYSE – New York Stock Exchange
OCI – Other Comprehensive Income
OFAC – Office of Foreign Assets Control
ORE – other real estate
ORM – Operational Risk Management

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OTTI – Other-than-temporary impairment
Parent Company – Synovus Financial Corp.
PD – probability of default
POS – point-of-sale
RCSA – Risk Control Self-Assessment
SAB – SEC Staff Accounting Bulletin
SBA – Small Business Administration
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
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 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' 2011 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2011
Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank
Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank
TAGP – Transaction Account Guarantee Program
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 by 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
tMEDS – tangible equity units, each composed of a prepaid common stock purchase contract and a junior subordinated amortizing note
TSYS – Total System Services, Inc.
UCL – Unfair Competition Law
USA PATRIOT Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
VIE – variable interest entity, as defined in ASC 810-10
Visa – The Visa U.S.A. Inc. card association or its affiliates, collectively
Visa Class B shares – Class B shares of Common Stock issued by Visa which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled
Visa Derivative – A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the purchaser and Synovus based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares
Visa IPO – The initial public offering of shares of Class A Common Stock by Visa, Inc. on March 25, 2008

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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)	March 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	$485,074	510,423
Interest bearing funds with Federal Reserve Bank	1,781,002	1,567,006
Interest earning deposits with banks	11,963	13,590
Federal funds sold and securities purchased under resale agreements	123,676	158,916
Trading account assets, at fair value	16,398	16,866
Mortgage loans held for sale, at fair value	96,837	161,509
Other loans held for sale	19,610	30,156
Investment securities available for sale, at fair value	3,713,003	3,690,125
Loans, net of deferred fees and costs	19,843,698	20,079,813
Allowance for loan losses	(507,794)	(536,494)
Loans, net	19,335,904	19,543,319
Premises and equipment, net	479,976	486,923
Goodwill	24,431	24,431
Other intangible assets, net	7,589	8,525
Other real estate	201,429	204,232
Other assets	767,900	746,824
Total assets	$27,064,792	27,162,845
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	$5,535,844	5,366,868
Interest bearing deposits, excluding brokered deposits	15,195,149	15,261,710
Brokered deposits	1,406,709	1,783,174
Total deposits	22,137,702	22,411,752
Federal funds purchased and securities sold under repurchase agreements	315,857	313,757
Long-term debt	1,351,823	1,364,727
Other liabilities	437,647	245,157
Total liabilities	24,243,029	24,335,393
Shareholders' Equity:		
Series A Preferred Stock – no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding at March 31, 2012 and December 31, 2011	949,536	947,017
Common stock - $1.00 par value. Authorized 1,200,000,000 shares; issued 792,268,949 at March 31, 2012 and 790,988,880 at December 31, 2011; outstanding 786,575,497 at March 31, 2012 and 785,295,428 at December 31, 2011	792,269	790,989
Additional paid-in capital	2,226,844	2,241,171
Treasury stock, at cost – 5,693,452 shares at both March 31, 2012 and December 31, 2011	(114,176)	(114,176)
Accumulated other comprehensive (loss) income	(2,195)	21,093
Accumulated deficit	(1,030,515)	(1,058,642)

Total shareholders’ equity	2,821,763	2,827,452
Total liabilities and shareholders' equity	$27,064,792	27,162,845

See accompanying notes to unaudited interim consolidated financial statements

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31,	
(in thousands, except per share data)	2012	2011
Interest income:		
Loans, including fees	$238,523	265,037
Investment securities available for sale	21,382	29,425
Trading account assets	278	256
Mortgage loans held for sale	1,367	1,811
Federal Reserve Bank balances	1,051	1,781
Other earning assets	53	122
Total interest income	262,654	298,432
Interest expense:		
Deposits	30,487	49,564
Federal funds purchased and securities sold under repurchase agreements	180	297
Long-term debt	11,028	11,137
Total interest expense	41,695	60,998
Net interest income	220,959	237,434
Provision for loan losses	66,049	141,746
Net interest income after provision for loan losses	154,910	95,688
Non-interest income:		
Service charges on deposit accounts	18,231	20,318
Fiduciary and asset management fees	10,835	11,537
Brokerage revenue	6,647	6,220
Mortgage banking income	6,003	2,495
Bankcard fees	7,579	10,657
Investment securities gains, net	20,083	1,420
Other fee income	4,700	4,931
Increase in fair value of private equity investments, net	93	132
Other non-interest income	9,968	6,454
Total non-interest income	84,139	64,164
Non-interest expense:		
Salaries and other personnel expense	92,622	93,100
Net occupancy and equipment expense	26,706	29,834
FDIC insurance and other regulatory fees	14,663	14,406
Foreclosed real estate expense, net	22,972	24,737
Losses (gains) on other loans held for sale, net	959	(2,226)
Professional fees	9,267	9,236
Data processing expense	8,024	8,950
Visa indemnification charges	2,979	4
Restructuring charges	858	24,333
Loss on curtailment of post-retirement defined benefit plan	—	398
Other operating expenses	24,083	36,944
Total non-interest expense	203,133	239,716
Income (loss) before income taxes	35,916	(79,864)
Income tax benefit	(77)	(456)
Net income (loss)	35,993	(79,408)
Net loss attributable to non-controlling interest	—	(220)

Net income (loss) available to controlling interest	35,993	(79,188)
Dividends and accretion of discount on preferred stock	14,624	14,466
Net income (loss) available to common shareholders	$21,369	(93,654)
Earnings per common share:		
Net income (loss) available to common shareholders, basic	$0.03	(0.12)
Net income (loss) available to common shareholders, diluted	$0.02	(0.12)
Weighted average common shares outstanding, basic	786,135	785,243
Weighted average common shares outstanding, diluted	908,986	785,243

See accompanying notes to unaudited interim consolidated financial statements.

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

(in thousands)	Three Months Ended March 31, 2012 Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Three Months Ended March 31, 2011 Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income (loss)	$35,916	77	35,993	(79,864)	456	(79,408)
Net unrealized gains (losses) on cash flow hedges:						
Net unrealized gains (losses) arising during the period	(1,135)	437	(698)	(3,905)	1,309	(2,596)
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses[1]	—	(437)	(437)	—	(1,309)	(1,309)
Net unrealized gains/losses	(1,135)	—	(1,135)	(3,905)	—	(3,905)
Net unrealized gains/losses on investment securities available for sale:						
Net unrealized gains/losses arising during the period	(2,070)	798	(1,272)	(11,684)	4,548	(7,136)
Reclassification adjustment for (gains) losses realized in net income	(20,083)	7,734	(12,349)	(1,420)	548	(872)
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses[1]	—	(8,532)	(8,532)	—	(5,096)	(5,096)
Net unrealized gains/losses	(22,153)	—	(22,153)	(13,104)	—	(13,104)
Other comprehensive loss	(23,288)	—	(23,288)	(17,009)	—	(17,009)
Less: comprehensive loss attributable to non-controlling interest	—	—	—	(220)	—	(220)
Comprehensive income (loss)	$12,628	77	12,705	(96,653)	456	(96,197)

[1] In accordance with ASC 740-20-45-11(b), the deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income is charged directly to other comprehensive income (loss).
See accompanying notes to unaudited interim consolidated financial statements.

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

(in thousands, except per share data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	(Accumulated Deficit) Retained Earnings	Non-Controlling Interest		Total
Balance at December 31, 2010	$937,323	790,956	2,293,263	(114,176)	57,158	(966,606)	26,629		3,024,547
Net loss	—	—	—	—	—	(79,188)	(220)		(79,408)
Other comprehensive loss, net of taxes	—	—	—	—	(17,009)	—	—		(17,009)
Cash dividends declared on common stock - $0.01 per share	—	—	—	—	—	(7,851)	—		(7,851)
Cash dividends paid on preferred stock	—	—	(12,098)	—	—	—	—		(12,098)
Accretion of discount on preferred stock	2,368	—	(2,368)	—	—	—	—		—
Restricted share unit activity	—	12	(12)	—	—	—	—		—
Share-based compensation expense	—	—	833	—	—	—	—		833
Change in ownership at majority-owned subsidiary	—	—	—	—	—	—	(26,315)	—	(26,315)
Balance at March 31, 2011	$939,691	790,968	2,279,618	(114,176)	40,149	(1,053,645)	94	939,691	2,882,699
Balance at December 31, 2011	$947,017	790,989	2,241,171	(114,176)	21,093	(1,058,642)	—		2,827,452
Net Income	—	—	—	—	—	35,993	—		35,993
Other comprehensive loss, net of taxes	—	—	—	—	(23,288)	—	—		(23,288)
Cash dividends declared on common stock - $0.01 per share	—	—	—	—	—	(7,866)	—		(7,866)
	—	—	(12,098)	—	—	—	—		(12,098)

Cash dividends paid on preferred stock								
Accretion of discount on preferred stock	2,519	—	(2,526)	—	—	—	—	(7)
Restricted share unit activity	—	1,280	(1,280)	—	—	—	—	—
Share-based compensation expense	—	—	1,577	—	—	—	—	1,577
Balance at March 31, 2012	$949,536	792,269	2,226,844	(114,176)	(2,195)	(1,030,515)	—	2,821,763

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three Months Ended March 31,	
(in thousands)	2012	2011
Operating Activities		
Net income (losses)	$35,993	(79,408)
Adjustments to reconcile net income (losses) to net cash provided by operating activities:		
Provision for loan losses	66,049	141,746
Depreciation, amortization, and accretion, net	11,883	11,433
Deferred income tax expense (benefit)	153	(360)
Decrease in interest receivable	4,549	4,912
Increase (decrease) in interest payable	766	(6,133)
Decrease in trading account assets	468	4,653
Originations of mortgage loans held for sale	(247,142)	(190,502)
Proceeds from sales of mortgage loans held for sale	310,094	314,703
(Gains) losses on sale of mortgage loans held for sale, net	(2,526)	296
(Decrease) increase in prepaid and other assets	(25,544)	26,375
Decrease in accrued salaries and benefits	(3,935)	(4,199)
Increase in other liabilities	193,120	884
Investment securities gains, net	(19,633)	(1,420)
Losses (gains) on sale of other loans held for sale, net	959	(2,226)
Losses on other real estate	17,310	18,624
Increase in fair value of private equity investments, net	(93)	(132)
Gains on sale of other assets held for sale, net	(169)	—
Write downs on other assets held for sale	621	—
Losses on curtailment of post-retirement health benefit	—	398
Increase in accrual for Visa indemnification	2,513	—
Share-based compensation	1,596	833
Other, net	100	(7,504)
Net cash provided by operating activities	347,132	232,973
Investing Activities		
Net decrease (increase) in interest earning deposits with banks	1,627	(5,771)
Net decrease in federal funds sold and securities purchased under repurchase agreements	35,240	30,564
Net (increase) decrease in interest bearing funds with Federal Reserve Bank	(213,996)	562,012
Proceeds from maturities and principal collections of investment securities available for sale	312,721	315,486
Proceeds from sales of investment securities available for sale	474,415	8,043
Purchases of investment securities available for sale	(819,430)	(242,292)
Proceeds from sale of other real estate	30,057	39,004
Principal repayments by borrowers on other loans held for sale	2,443	24,638
Net decrease in loans	3,690	232,370
Proceeds from sale of other loans held for sale	98,157	106,106
Purchases of premises and equipment	(3,161)	(3,129)
Proceeds from disposals of premises and equipment	2,969	43
Proceeds from sales of other assets held for sale	3,519	—

Additions to other intangible assets	—		—	
Net cash (used in) provided by investing activities	(71,749	)	1,067,074	
Financing Activities				
Net increase (decrease) in demand and savings deposits	392,157		(421,015	)
Net decrease in certificates of deposit	(666,207	)	(873,410	)
Net increase (decrease) in federal funds purchased and other short-term borrowings	2,100		(74,017	)
Principal repayments on long-term debt	(302,180	)	(58,476	)
Proceeds from issuance of long-term debt	293,370		165,000	

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Tax deficiency from share-based payment arrangements	(13)	—
Dividends paid to common shareholders	(7,861)	(7,851)
Dividends paid to preferred shareholders	(12,098)	(12,098)
Net cash used in financing activities	(300,732)	(1,281,867)
(Decrease) increase in cash and cash equivalents	(25,349)	18,180
Cash and cash equivalents at beginning of period	510,423	389,021
Cash and cash equivalents at end of period	$485,074	407,201
Supplemental Cash Flow Information		
Cash (Received) Paid During the Period for:		
Income tax refunds, net of taxes paid	$(10,399)	285
Interest paid	40,134	53,300
Non-cash Investing Activities (at Fair Value):		
Increase in net unrealized gains on available for sale securities[1]	(22,513)	(13,104)
(Decrease) increase in net unrealized gains on hedging instruments[1]	(1,135)	3,905
Mortgage loans held for sale transferred to loans at fair value	1,441	3,904
Loans foreclosed and transferred to other real estate at fair value	42,264	60,110
Loans transferred to other loans held for sale	94,564	164,400
Other loans held for sale foreclosed and transferred to other real estate at fair value	2,330	5,377
Premises and equipment transferred to other assets held for sale	1,945	38,241
Write downs to fair value on other loans held for sale	1,221	2,963
Impairment loss on available for sale securities	(450)	—

(1) Changes in net unrealized gains on available for sale securities, fair value hedges, and cash flow hedges have not been adjusted for the impact of deferred taxes.
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 30 locally-branded divisions of its wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida, and Tennessee.
Basis of Presentation
The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, 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 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' 2011 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2011 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 valuation of impaired and other loans held for sale; the fair value of investment securities; the fair value of private equity investments, the valuation of long-lived assets and other intangible assets; the valuation of deferred tax assets; the valuation of the Visa indemnification liability; and other contingent liabilities. In connection with the determination of the allowance for loan losses and the valuation of certain impaired loans and other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. In making this determination, management also considers other factors or recent developments, such as changes in absorption rates or market conditions at the time of valuation and anticipated sales prices based on management’s plans for disposition.
A substantial portion of Synovus’ loans are secured by real estate in five Southeastern states (Georgia, Alabama, Florida, South Carolina, and Tennessee). Accordingly, the ultimate collectability of a substantial portion of Synovus’ loan portfolio is susceptible to changes in market conditions in these areas. Total commercial real estate loans represent 35.5% of the total loan portfolio at March 31, 2012. Due to declines in real estate values over the past four years, the commercial real estate portfolio loans may have a greater risk of non-collection than other loans. Based on available information, management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, the ability of borrowers to repay their loans, and management’s plans for disposition. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Synovus’ allowance for loan losses. Such agencies may require Synovus to make changes to the allowance for loan losses based on their judgment of information available to them at the time of their examination.
Cash and Cash Equivalents
Cash and cash equivalents consist of cash and due from banks. At March 31, 2012 and December 31, 2011, cash and cash equivalents included $81.5 million and $73.3 million, respectively, on deposit to meet Federal Reserve Bank requirements. At March 31, 2012 and December 31, 2011, $15.6 million of the due from banks balance was restricted as to withdrawal, including $15.0 million on deposit pursuant to a payment network arrangement.
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 $9.9 million at March 31, 2012 and $10.4 million at December 31, 2011, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include $119.9 million at March 31, 2012, and $141.0 million at December 31, 2011, which is pledged to collateralize certain derivative instruments in a net liability position. Federal funds sold, federal funds purchased, securities purchased under resale agreements, and securities sold under repurchase agreements generally mature in one day.

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Recently Adopted Accounting Standards Updates

Effective January 1, 2012, Synovus adopted the provisions of ASU 2011-05, Presentation of Comprehensive Income. ASU 2011-05 was the result of a joint project with the IASB and FASB, and amends the guidance in ASC 220, Comprehensive Income, by eliminating the option to present components of OCI in the statement of changes in shareholders' equity. Instead, the new guidance now requires entities to present all non-owner changes in shareholders' equity either as a single continuous statement of comprehensive income or as two separate but consecutive statements. This statement was temporarily amended by ASU 2011-12, which addresses the presentation of reclassification adjustments out of accumulated other comprehensive income. Synovus has elected the two separate statement approach.

Effective January 1, 2012, Synovus adopted the provisions of ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure in U.S. GAAP and IFRSs. This ASU amends Topic 820 to add both additional clarifications to existing fair value measurement and disclosure requirements. Clarifications were made to the relevancy of the highest and best use valuation concept, measurement of an instrument classified in an entity's shareholders' equity and disclosure of quantitative information about the unobservable inputs for Level 3 fair value measurements. Changes to disclosures included measurement of financial instruments within a portfolio and additional disclosures related to fair value measurements, as provided in Note 7.

Effective January 1, 2012, Synovus adopted the provisions of ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The ASU focuses the transferor's assessment of effective control on its contractual rights and obligations by removing the requirements to assess its ability to exercise those rights or honor those obligations. Synovus does not currently access wholesale funding markets through sales of securities with agreements to repurchase. Repurchase agreements are offered through a commercial banking sweep product as a short-term investment opportunity for customers. All such arrangements are considered typical of the banking industry and are accounted for as borrowings. There was no material impact to Synovus' unaudited interim consolidated financial statements upon adoption of this standard.

Effective January 1, 2012, Synovus adopted the provisions of ASU 2011-08, Testing Goodwill for Impairment. Under the new standard, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. Moreover, an entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then resume performing the qualitative assessment in any subsequent period. Management does not anticipate making significant changes to the current approach that has been applied on a historic basis in the application of the new guidance.

Recently Issued but Not Currently Effective Accounting Standards Updates

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The ASU requires additional disclosures about financial instruments and derivative instruments that are offset or subject to an enforceable master netting arrangement or similar agreement. The ASU is effective for the interim reporting period ending March 31, 2013, with retrospective disclosure for all comparative periods presented. Synovus does not offset assets and liabilities in this manner, therefore, the ASU is not expected to materially impact Synovus' financial position, results of operations, or EPS.

Reclassifications

Prior years' consolidated financial statements are reclassified whenever necessary to conform to the current year's 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 within the unaudited interim consolidated financial statements and related footnotes as deemed appropriate, if any.

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Note 2 - Investment Securities

The following table summarizes Synovus' available for sale investment securities as of March 31, 2012 and December 31, 2011.

	March 31, 2012			
(in thousands)	Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$357	—	—	357
U.S. Government agency securities	37,272	2,547	—	39,819
Securities issued by U.S. Government sponsored enterprises	637,869	5,306	(67)	643,108
Mortgage-backed securities issued by U.S. Government agencies	197,109	8,018	—	205,127
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,122,904	40,937	(865)	2,162,976
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	632,224	2,623	(4,282)	630,565
State and municipal securities	22,446	787	(20)	23,213
Equity securities	3,647	—	(4)	3,643
Other investments	5,000	19	(824)	4,195
Total	$3,658,828	60,237	(6,062)	3,713,003

	December 31, 2011			
(in thousands)	Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$426	—	—	426
U.S. Government agency securities	37,489	3,004	—	40,493
Securities issued by U.S. Government sponsored enterprises	667,707	8,333	(619)	675,421
Mortgage-backed securities issued by U.S. Government agencies	266,682	19,071	—	285,753
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,955,988	46,275	(257)	2,002,006
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	651,379	1,646	(1,525)	651,500
State and municipal securities	24,530	808	(20)	25,318
Equity securities	4,147	—	(388)	3,759
Other investments	5,449	—	—	5,449
Total	$3,613,797	79,137	(2,809)	3,690,125

[1] Amortized cost is adjusted for other-than-temporary impairment charges in 2012 and 2011, which have been recognized on the consolidated statements of operations in the applicable period, and were considered inconsequential.

At March 31, 2012 and December 31, 2011, investment securities with a carrying value of $2.34 billion and $2.48 billion, respectively, were pledged to secure certain deposits, payment network arrangements, and FHLB advances as required by law and contractual agreements.

Synovus has reviewed investment securities that are in an unrealized loss position as of March 31, 2012 and December 31, 2011 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 any of these investment securities prior to the recovery of the unrealized loss, which may be until maturity. 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.

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

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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 other-than-temporary impairment. These factors include length of time that the security has been in a loss position, the extent that the fair value has been below amortized cost, and the credit standing of the issuer.

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 March 31, 2012 are presented below.

	March 31, 2012					
	Less than 12 Months		12 Months or Longer		Total Fair Value	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities issued by U.S. Government sponsored enterprises	$146,791	(67)	—	—	146,791	(67)
Mortgage-backed securities issued by U.S. Government sponsored enterprises	249,782	(865)	—	—	249,782	(865)
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	342,375	(4,282)	—	—	342,375	(4,282)
State and municipal securities	—	—	915	(20)	915	(20)
Equity securities	2,752	(4)	—	—	2,752	(4)
Other investments	2,176	(824)	—	—	2,176	(824)
Total	$743,876	(6,042)	915	(20)	744,791	(6,062)

	December 31, 2011					
	Less than 12 Months		12 Months or Longer		Total Fair Value	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities issued by U.S. Government sponsored enterprises	$349,370	(619)	—	—	349,370	(619)
Mortgage-backed securities issued by U.S. Government sponsored enterprises	148,283	(257)	—	—	148,283	(257)
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	337,060	(1,521)	297	(4)	337,357	(1,525)
State and municipal securities.	32	(3)	883	(17)	915	(20)
Equity securities	2,367	(388)	—	—	2,367	(388)
Total	$837,112	(2,788)	1,180	(21)	838,292	(2,809)

The amortized cost and fair value by contractual maturity of investment securities available for sale at March 31, 2012 are shown below. The expected life of mortgage-backed securities 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, which are not due at a single maturity date, have been classified based on the contractual maturity date.

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(in thousands)	Distribution of Maturities at March 31, 2012 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	$350	7	—	—	—	357
U.S. Government agency securities	—	272	29,994	7,006	—	37,272
Securities issued by U.S. Government sponsored enterprises	$18,489	619,380	—	—	—	637,869
Mortgage-backed securities issued by U.S. Government agencies	—	234	193	196,682	—	197,109
Mortgage-backed securities issued by U.S. Government sponsored enterprises	791	17,944	913,851	1,190,318	—	2,122,904
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	99	—	632,125	—	632,224
State and municipal securities	3,086	9,930	5,026	4,404	—	22,446
Other investments	1,000	—	—	4,000	—	5,000
Securities with no stated maturity (equity securities)	—	—	—	—	3,647	3,647
Total	$23,716	647,866	949,064	2,034,535	3,647	3,658,828
Fair Value						
U.S. Treasury securities	$350	7	—	—	—	357
U.S. Government agency securities	—	273	31,772	7,774	—	39,819
Securities issued by U.S. Government sponsored enterprises	18,728	624,380	—	—	—	643,108
Mortgage-backed securities issued by U.S. Government agencies	—	247	207	204,673	—	205,127
Mortgage-backed securities issued by U.S. Government sponsored enterprises	830	18,740	916,971	1,226,435	—	2,162,976
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	101	—	630,464	—	630,565
State and municipal securities	3,103	10,281	5,165	4,664	—	23,213
Other investments	1,002	—	—	3,193	—	4,195
Securities with no stated maturity (equity securities)	—	—	—	—	3,643	3,643
Total	$24,013	654,029	954,115	2,077,203	3,643	3,713,003

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale during the three months ended March 31, 2012 and 2011 are presented below. Other-than-temporary impairment charges of $450 thousand are included in gross realized losses for the three months ended March 31, 2012.

	Three Months Ended March 31,	
(in thousands)	2012	2011
Proceeds	$474,865	8,043
Gross realized gains	20,533	1,420
Gross realized losses	(450)	—
Investment securities gains, net	$20,083	1,420

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Note 3 - Restructuring Charges

For three months ended March 31, 2012 and 2011 total restructuring charges are as follows:

	Three Months Ended March 31,	
(in thousands)	2012	2011
Severance charges	$205	14,613
Lease termination charges	—	5,397
Asset impairment charges	613	3,483
Professional fees and other charges	40	840
Total restructuring charges	$858	24,333

In January 2011, Synovus announced efficiency and growth initiatives intended to streamline operations, boost productivity, reduce expenses, and increase revenue. During the first quarter of 2011, Synovus implemented most of the components of the initiatives, which resulted in restructuring charges of $24.3 million. During the three months ended March 31, 2012, Synovus recognized restructuring charges of $858 thousand associated with these initiatives. As part of these efficiency initiatives, during the three months ended March 31, 2012, Synovus transferred premises with a carrying value of $1.7 million immediately preceding the transfer to other assets held for sale, a component of other assets on the consolidated balance sheet. The carrying value of the remaining held for sale assets was $7.1 million at March 31, 2012. The liability for restructuring activities was $813 thousand at March 31, 2012, and consists primarily of lease termination payments and estimated severance payments.

Note 4 - Other Loans Held for Sale

Loans are transferred to other loans held for sale at fair value when Synovus makes the determination to sell specifically identified loans. The fair value of the loans is primarily determined by analyzing the underlying collateral of the loan and the anticipated market prices of similar assets less estimated costs to sell. At the time of transfer, if the fair value is less than the carrying amount, the difference is recorded as a charge-off against the allowance for loan losses. Decreases in the fair value subsequent to the transfer, as well as gains/losses realized from sale of these loans, are recognized as (gains) losses on other loans held for sale, net as a component of non-interest expense on the consolidated statements of operations.

During three months ended March 31, 2012 and 2011, Synovus transferred loans with a carrying value immediately preceding the transfer totaling $123.8 million and $231.4 million respectively, to other loans held for sale. Synovus recognized charge-offs upon transfer on these loans totaling $29.3 million and $67.0 million for the three months ended March 31, 2012 and 2011, respectively. These charge-offs, which resulted in a new cost basis of $94.6 million and $164.4 million, respectively, for the loans transferred during the three months ended March 31, 2012 and 2011, were based on the fair value, less estimated costs to sell, of the loans at the time of transfer.

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Note 5 – Loans and Allowance for Loan Losses

Loans outstanding, by classification, are summarized below.

(in thousands)	March 31, 2012	December 31, 2011
Investment properties	$4,446,808	4,557,313
1-4 family properties	1,554,156	1,618,484
Land acquisition	1,049,547	1,094,821
Total commercial real estate	7,050,511	7,270,618
Commercial and industrial	8,935,733	8,941,274
Home equity lines	1,595,675	1,619,585
Consumer mortgages	1,390,126	1,411,749
Credit cards	264,470	273,098
Other retail loans	618,487	575,475
Total retail loans	3,868,758	3,879,907
Total loans	19,855,002	20,091,799
Deferred fees and costs, net	(11,304)	(11,986)
Total loans, net of deferred fees and costs	$19,843,698	20,079,813

Total commercial real estate loans represent 35.5% and 36.2% of the total loan portfolio at March 31, 2012 and December 31, 2011, respectively.

A substantial portion of the loan portfolio is secured by real estate in markets located throughout Georgia, Alabama, Tennessee, South Carolina, and Florida. Accordingly, the ultimate collectability of a substantial portion of the loan portfolio is susceptible to changes in market conditions in these areas.

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The following is a summary of current, accruing past due, and non-accrual loans by portfolio class as of March 31, 2012 and December 31, 2011.

Current, Accruing Past Due, and Non-accrual Loans

	March 31, 2012					
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Nonaccrual	Total
Investment properties	$4,345,284	22,151	230	22,381	79,143	4,446,808
1-4 family properties	1,359,980	15,234	527	15,761	178,415	1,554,156
Land acquisition	797,229	9,368	—	9,368	242,950	1,049,547
Total commercial real estate	6,502,493	46,753	757	47,510	500,508	7,050,511
Commercial and industrial	8,635,964	44,621	1,408	46,029	253,740	8,935,733
Home equity lines	1,558,746	11,852	282	12,134	24,795	1,595,675
Consumer mortgages	1,314,028	21,962	3,192	25,154	50,944	1,390,126
Credit cards	256,968	5,122	2,380	7,502	—	264,470
Other retail loans	605,970	6,096	369	6,465	6,052	618,487
Total retail	3,735,712	45,032	6,223	51,255	81,791	3,868,758
Total loans	$18,874,169	136,406	8,388	144,794	836,039	19,855,002

	December 31, 2011					
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Nonaccrual	Total
Investment properties	$4,450,627	10,866	54	10,920	95,766	4,557,313
1-4 family properties	1,396,778	23,480	642	24,122	197,584	1,618,484
Land acquisition	855,021	5,299	350	5,649	234,151	1,094,821
Total commercial real estate	6,702,426	39,645	1,046	40,691	527,501	7,270,618
Commercial and industrial	8,618,813	49,826	5,035	54,861	267,600	8,941,274
Home equity lines	1,581,469	12,893	664	13,557	24,559	1,619,585
Consumer mortgages	1,326,411	23,213	5,130	28,343	56,995	1,411,749
Credit cards	267,511	3,113	2,474	5,587	—	273,098
Other retail loans	562,706	6,232	171	6,403	6,366	575,475
Total retail	3,738,097	45,451	8,439	53,890	87,920	3,879,907
Total loans	$19,059,336	134,922	14,520	149,442	883,021	20,091,799

Nonaccrual loans as of March 31, 2012 and December 31, 2011 were $836.0 million and $883.0 million, respectively. Interest income on nonaccrual loans outstanding at March 31, 2012 and 2011 that would have been recorded for the three months ended March 31, 2012 and 2011 if the loans had been current and performed in accordance with their original terms was $16.6 million and $21.7 million, respectively. No interest income on these loans was included in net income during the three months ended March 31, 2012 or 2011.

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 Classified (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, of any underlying collateral in a timely manner.

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,

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conditions, and values.
Loss - loans which are considered by management to be uncollectible and of such little value that its continuance on the institution's books as an asset, without establishment of a specific valuation allowance or charge-off is not warranted.
In the following tables, retail loans are classified as pass except when a retail loan reaches 90 days past due, it is downgraded to substandard, and upon reaching 120 days past due, it is downgraded to loss and charged off, in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy.
Loan Portfolio Credit Exposure by Risk Grade

	March 31, 2012						
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss[2]		Total
Investment properties	$3,427,676	708,511	305,866	4,755	—		4,446,808
1-4 family properties	953,280	259,856	323,936	17,084	—		1,554,156
Land acquisition	483,436	115,040	433,466	17,605	—		1,049,547
Total commercial real estate	4,864,392	1,083,407	1,063,268	39,444	—		7,050,511
Commercial and industrial	7,365,623	882,941	668,706	18,463	—		8,935,733
Home equity lines	1,555,852	—	39,210	—	613	[3]	1,595,675
Consumer mortgages	1,333,422	—	56,337	—	367	[3]	1,390,126
Credit cards	262,089	—	635	—	1,746	[3]	264,470
Other retail loans	606,259	—	11,648	—	580	[3]	618,487
Total retail	3,757,622	—	107,830	—	3,306		3,868,758
Total loans	$15,987,637	1,966,348	1,839,804	57,907	3,306		19,855,002

	December 31, 2011						
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss[2]		Total
Investment properties	$3,443,363	778,009	328,402	7,539	—		4,557,313
1-4 family properties	977,083	269,152	361,210	11,039	—		1,618,484
Land acquisition	500,359	132,799	456,010	5,653	—		1,094,821
Total commercial real estate	4,920,805	1,179,960	1,145,622	24,231	—		7,270,618
Commercial and industrial	7,265,761	909,255	754,934	11,324	—		8,941,274
Home equity lines	1,578,938	—	39,811	—	836	[3]	1,619,585
Consumer mortgages	1,344,648	—	66,478	—	623	[3]	1,411,749
Credit cards	270,624	—	948	—	1,526	[3]	273,098
Other retail loans	562,623	—	12,349	—	503	[3]	575,475
Total retail	3,756,833	—	119,586	—	3,488		3,879,907
Total loans	$15,943,399	2,089,215	2,020,142	35,555	3,488		20,091,799

[1] Includes $774.8 million and $844.0 million of nonaccrual substandard loans at March 31, 2012 and December 31, 2011, respectively.
[2] The loans within these risk grades are on nonaccrual status.
[3] Represent amounts that were 120 days past due. Per regulatory guidance, these credits are downgraded to the loss category with an allowance for loan losses equal to the full loan amount and are charged off in the subsequent quarter.

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The following table details the change in the allowance for loan losses by loan segment for the three months ended March 31, 2012 and 2011.
Allowance for Loan Losses and Recorded Investment in Loans

(in thousands)	As Of and For The Three Months Ended March 31, 2012 Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$249,094	184,888	54,514	47,998	536,494
Charge-offs	(52,462)	(37,426)	(15,601)	—	(105,489)
Recoveries	4,505	3,622	2,613	—	10,740
Provision for loan losses	38,837	27,116	10,094	(9,998)	66,049
Ending balance	$239,974	178,200	51,620	38,000	507,794
Ending balance: individually evaluated for impairment	$65,883	43,574	792	—	110,249
Ending balance: collectively evaluated for impairment	$174,091	134,626	50,828	38,000	397,545
Loans:					
Ending balance: total loans	$7,050,511	8,935,733	3,868,758	—	19,855,002
Ending balance: individually evaluated for impairment	$819,033	389,857	45,385	—	1,254,275
Ending balance: collectively evaluated for impairment	$6,231,478	8,545,876	3,823,373	—	18,600,727

(in thousands)	As Of and For The Three Months Ended March 31, 2011 Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$353,923	222,058	43,478	84,088	703,547
Charge-offs	(115,113)	(42,401)	(23,261)	—	(180,775)
Recoveries	6,953	4,071	2,884	—	13,908
Provision for loan losses	91,367	32,635	19,941	(2,197)	141,746
Ending balance	$337,130	216,363	43,042	81,891	678,426
Ending balance: individually evaluated for impairment	$60,173	27,642	1,695	—	89,510
Ending balance: collectively evaluated for impairment	$276,957	188,721	41,347	81,891	588,916
Loans:					
Ending balance: total loans	$8,064,473	9,064,578	3,877,266	—	21,006,317
Ending balance: individually evaluated for impairment	$876,806	276,832	32,676	—	1,186,314
Ending balance: individually evaluated for impairment	$7,187,667	8,787,746	3,844,590	—	19,820,003

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Below is a detailed summary of impaired loans (including accruing TDRs) as of March 31, 2012 and 2011.
Impaired Loans (including accruing TDRs)

	March 31, 2012			Three Months Ended March 31, 2012	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Investment properties	$46,379	80,130	—	54,167	—
1-4 family properties	122,449	273,323	—	122,649	—
Land acquisition	190,795	285,867	—	194,524	—
Total commercial real estate	359,623	639,320	—	371,340	—
Commercial and industrial	72,812	131,663	—	67,070	—
Home equity lines	3,575	4,743	—	3,707	—
Consumer mortgages	4,300	7,877	—	5,487	—
Other retail loans	2	4	—	491	—
Total retail	7,877	12,624	—	9,685	—
Total	$440,312	783,607	—	448,095	—
With allowance recorded					
Investment properties	$203,139	203,190	22,587	213,364	1,905
1-4 family properties	143,615	144,948	22,105	157,769	1,265
Land acquisition	112,656	141,978	21,191	103,249	621
Total commercial real estate	459,410	490,116	65,883	474,382	3,791
Commercial and industrial	317,045	320,234	43,574	321,158	2,217
Home equity lines	7,231	7,231	108	7,281	56
Consumer mortgages	27,439	27,439	623	30,111	269
Other retail loans	2,838	2,838	61	2,389	14
Total retail	37,508	37,508	792	39,781	339
Total	$813,963	847,858	110,249	835,321	6,347
Total					
Investment properties	$249,518	283,320	22,587	267,531	1,905
1-4 family properties	266,064	418,271	22,105	280,418	1,265
Land acquisition	303,451	427,845	21,191	297,773	621
Total commercial real estate	819,033	1,129,436	65,883	845,722	3,791
Commercial and industrial	389,857	451,897	43,574	388,228	2,217
Home equity lines	10,806	11,974	108	10,988	56
Consumer mortgages	31,739	35,316	623	35,598	269
Other retail loans	2,840	2,842	61	2,880	14
Total retail	45,385	50,132	792	49,466	339
Total impaired loans	$1,254,275	1,631,465	110,249	1,283,416	6,347

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Impaired Loans (including accruing TDRs)	December 31, 2011		
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded			
Investment properties	$59,930	96,238	—
1-4 family properties	118,756	274,959	—
Land acquisition	196,823	295,562	—
Total commercial real estate	375,509	666,759	—
Commercial and industrial	65,357	117,468	—
Home equity lines	3,948	5,394	—
Consumer mortgages	4,970	6,293	—
Other retail loans	736	738	—
Total retail	9,654	12,425	—
Total	$450,520	796,652	—
With allowance recorded			
Investment properties	$227,045	227,510	23,384
1-4 family properties	164,756	168,315	23,499
Land acquisition	102,847	118,868	17,564
Total commercial real estate	494,648	514,693	64,447
Commercial and industrial	318,942	324,623	42,596
Home equity lines	6,995	6,995	93
Consumer mortgages	34,766	32,455	2,306
Other retail loans	1,701	1,701	42
Total retail	43,462	41,151	2,441
Total	$857,052	880,467	109,484
Total			
Investment properties	$286,975	323,748	23,384
1-4 family properties	283,512	443,274	23,499
Land acquisition	299,670	414,430	17,564
Total commercial real estate	870,157	1,181,452	64,447
Commercial and industrial	384,299	442,091	42,596
Home equity lines	10,943	12,389	93
Consumer mortgages	39,736	38,748	2,306
Other retail loans	2,437	2,439	42
Total retail	53,116	53,576	2,441
Total impaired loans	$1,307,572	1,677,119	109,484

The average recorded investment in impaired loans was approximately $1.17 billion for the three months ended March 31, 2011. Excluding accruing TDRs, there was no interest income recognized for the investment in impaired loans for the three months ended March 31, 2011. Interest income recognized for accruing TDRs was approximately $4.0 million for the three months ended March 31, 2011. At March 31, 2012 and March 31, 2011 all impaired loans, other than $651.2 million and $545.4 million, respectively, of accruing TDRs, were on nonaccrual status.

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Effective July 1, 2011, Synovus adopted ASU 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring, with retrospective application to January 1, 2011, and has accordingly included the required disclosures below:

	Accruing TDRs With Modifications and Renewals Completed During The Three Months Ended March 31, 2012		
(in thousands, except contract data)	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	14	$ 14,674	14,663
1-4 family properties	27	16,114	15,659
Land acquisition	16	14,523	14,319
Total commercial real estate	57	45,311	44,641
Commercial and industrial	38	24,638	24,760
Home equity lines	1	330	330
Consumer mortgages	20	2,288	2,308
Credit cards	—	—	—
Other retail loans	11	1,879	1,875
Total retail	32	4,497	4,513
Total loans	127	$ 74,446	73,914

	Accruing TDRs With Modifications and Renewals Completed During The Three Months Ended March 31, 2011		
(in thousands, except contract data)	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	20	$ 75,224	75,054
1-4 family properties	11	30,534	29,045
Land acquisition	2	1,908	1,908
Total commercial real estate	33	107,666	106,007
Commercial and industrial	22	19,260	19,120
Home equity lines	7	279	282
Consumer mortgages	139	15,866	15,768
Credit cards	—	—	—
Other retail loans	15	752	749
Total retail	161	16,897	16,799
Total loans	216	$ 143,823	141,926

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(in thousands, except contract data)	Non-accruing TDRs With Modifications and Renewals Completed During The Three Months Ended March 31, 2012		
	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	—	$ —	—
1-4 family properties	1	6,123	6,093
Land acquisition	1	353	312
Total commercial real estate	2	6,476	6,405
Commercial and industrial	9	9,933	9,183
Home equity lines	—	—	—
Consumer mortgages	—	—	—
Credit cards	—	—	—
Other retail loans	3	322	322
Total retail	3	322	322
Total loans	14	$ 16,731	15,910

(in thousands, except contract data)	Non-accruing TDRs With Modifications and Renewals Completed During The Three Months Ended March 31, 2011		
	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	2	$ 8,646	8,646
1-4 family properties	5	4,198	3,092
Land acquisition	2	2,858	2,390
Total commercial real estate	9	15,702	14,128
Commercial and industrial	11	5,277	4,309
Home equity lines	1	35	39
Consumer mortgages	6	643	589
Credit cards	—	—	—
Other retail loans	—	—	—
Total retail	7	678	628
Total loans	27	$ 21,657	19,065

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. Further, it is generally Synovus' practice not to defer principal and/or interest for more than 12 months.

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Troubled Debt Restructurings Entered Within the The Previous Twelve Months That Have Subsequently Defaulted During The Three-Month Period Ended March 31, 2012[(1)]	Three Months Ended March 31, 2012	
(in thousands, except contract data)	Number of Contracts	Recorded Investment
Investment properties	2	$2,647
1-4 family properties	1	1,989
Land acquisition	4	15,820
Total commercial real estate	7	20,456
Commercial and industrial	4	6,116
Home equity lines	—	—
Consumer mortgages	3	564
Credit cards	—	—
Other retail loans	—	—
Total retail	3	564
Total loans	14	$27,136

(1) Subsequently defaulted 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 Within the The Previous Twelve Months That Have Subsequently Defaulted During The Three-Month Period Ended March 31, 2011[(1)]	Three Months Ended March 31, 2011	
(in thousands, except contract data)	Number of Contracts	Recorded Investment
Investment properties	6	$7,750
1-4 family properties	4	3,718
Land acquisition	4	5,490
Total commercial real estate	14	16,958
Commercial and industrial	2	1,737
Home equity lines	—	—
Consumer mortgages	1	31
Credit cards	—	—
Other retail loans	—	—
Total retail	1	31
Total loans	17	$18,726

(1) Subsequently defaulted 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 that a loan was designated as a TDR the loan was not already impaired, the measurement of impairment resulting 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, Accounting By Creditors for Impairment of a Loan—an amendment of FASB Statements No. 5, ASC 450-20, and No. 15, ASC 310-40. Generally, the change in the allowance for loan losses resulting from such TDR designation is not significant. At March 31, 2012, the allowance for loan losses allocated to accruing TDRs totaling $651.2 million was $59.1 million compared to accruing TDR's of $668.5 million with an allocated allowance for loan losses $60.7 million at December 31, 2011. Nonaccrual non-homogenous 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 6 - 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.

ORE is reported at the lower of cost or fair value 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 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 and any subsequent declines in the value are recorded as foreclosed real estate expense, net, a component of non-interest expense on the consolidated statements of operations. The carrying value of ORE was $201.4 million and $204.2 million at March 31, 2012 and December 31, 2011, respectively. During the three months ended March 31, 2012 and 2011 $44.6 million and $65.5 million respectively, of loans and other loans held for sale were foreclosed and transferred to other real estate at fair value. During the three months ended March 31, 2012 and 2011, Synovus recognized foreclosed real estate expense, net, of $23.0 million and $24.7 million, respectively. These expenses included write-downs for declines in fair value of ORE subsequent to the date of foreclosure and realized gains or losses resulting from sales transactions totaling $17.3 million and $18.6 million, for the three months ended March 31, 2012 and 2011, respectively.

Note 7 - 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.

Synovus has designated controls and processes for the determination of the fair value of financial instruments. A process has been designed to ensure there is an independent review and validation of fair values by a function independent of those entering into the transaction. This includes specific controls to ensure consistent pricing policies and procedures that incorporate verification for both market and derivative transactions . For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilized. Where the market for a financial instrument is not active, fair value is determined using a valuation technique or pricing model. These valuation techniques and models involve a degree of estimation, the extent of which depends on the instruments' complexity and and the availability of market-based data.

The most frequently applied pricing model and valuation technique utilized by Synovus is the discounted cash flow model. Discounted cash flows determine the value by estimating the expected future cash flows from assets or liabilities discounted to their present value. Synovus may also use a relative value model to determine the fair value of a financial instrument based on the market prices of similar assets or liabilities or an option pricing model such as binomial pricing that includes probability-based techniques. Assumptions and inputs used in valuation techniques and models include benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, price volatilities and correlations, prepayment rates, probability of default, and loss severity upon default.

Synovus refines and modifies its valuation techniques as markets develop and as pricing for individual financial instruments become more or less readily available. While Synovus believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of fair value at the balance sheet date. In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information. These adjustments reflect managements' assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the pricing information. Furthermore, on an ongoing basis, management assesses the appropriateness of any model used. To the extent that the price provided by internal models does not represent the fair value of the financial instrument, management makes adjustments to the model valuation to calibrate to other available pricing sources. Where unobservable inputs are used, management may determine a range of possible valuations based upon differing stress scenarios to determine the sensitivity associated with the valuation. As a final step, management considers the need for further adjustments to the modeled price to reflect how market participants would price the financial instrument.

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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 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, collateralized mortgage obligations issued by U.S. Government sponsored enterprises, and mortgage loans held-for-sale are generally included in this category. Certain private equity investments that hold mutual fund investments that invest in publicly traded companies are also considered a Level 2 asset.
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 option pricing models, discounted cash flow models and similar techniques, and may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability. These methods of valuation may result in a significant portion of the fair value being derived from unobservable assumptions that reflect Synovus' own estimates for assumptions that market participants would use in pricing the asset or liability. This category primarily includes collateral-dependent impaired loans, other real estate, certain equity investments, and certain private equity investments.

Fair Value Option

Synovus has elected the fair value option for mortgage loans held for sale primarily to ease the operational burdens required to maintain hedge accounting for these loans. Synovus is still able to achieve effective economic hedges on mortgage loans held for sale without the operational time and expense needed to manage a hedge accounting program.

Valuation Methodology by Product

Following is a description of the valuation methodologies used for the major categories of financial assets and liabilities measured at fair value.

Trading Account Assets and Investment Securities Available-for-Sale

The fair values of trading account assets and investment securities available-for-sale are primarily based on actively traded markets where prices are based on either quoted market prices or observed transactions. Management employs independent third-party pricing services to provide fair value estimates for Synovus' investment securities available for sale and trading account assets. Fair values for fixed income investment securities are typically the prices supplied by the third-party pricing service, which utilizes quoted market prices, broker/dealer quotations for identical or similar securities, and/or inputs that are observable in the market, either directly or indirectly, for substantially similar securities. Level 1 securities are typically exchange quoted prices and include financial instruments such as U.S. Treasury securities and equity securities. Level 2 and Level 3 securities are typically matrix priced by the third-party pricing service to calculate the fair value. Such fair value measurements consider observable data such as relevant broker/dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and the respective terms and conditions for debt instruments. The types of securities classified as Level 2 within the valuation hierarchy primarily consist of collateralized mortgage obligations, mortgage-backed securities, debt securities of U.S. Government-sponsored enterprises and agencies, corporate debt, and state and municipal bonds.

When there is limited activity or less transparency around inputs to valuation, Synovus develops valuations based on assumptions that are not readily observable in the marketplace; these securities are classified as Level 3 within the valuation hierarchy. The majority of the balance of Level 3 investment securities available for sale consist of trust preferred securities issued by financial institutions. Synovus also has non-marketable common equity securities and corporate bonds of small financial institutions. These securities are non-redeemable at par value and cannot be traded in the market. As such, no significant observable market data for these instruments is available. Synovus accounts for these securities in accordance with ASC 325-20, which requires these investments to be carried at cost. The corporate bonds are unrated and the trust preferred securities are all unrated floating-rate debt securities. Management currently uses a measurement technique to reflect one that utilizes credit spreads and/or credit indices available from a third-party pricing service to provide a realistic fair value measurement of the corporate sector of the investment portfolio. For each bond, management projects non-credit-adjusted cash flows and discounts those cash flows to net present value incorporating a relevant credit spread in the discount rate. Other inputs to calculating fair value include potential discounts for lack of marketability.

Management uses various validation procedures to confirm the prices received from pricing services and quotations received from dealers are reasonable. Such validation procedures include reference to relevant broker/dealer quotes or other market quotes and a review of valuations and trade activity of comparable securities. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by the third-party pricing service. Further, management also employs the services of an additional independent pricing firm as a means to verify and confirm the fair values of our primary independent pricing firms.

Mortgage Loans Held for Sale

Synovus elected to apply the fair value option for mortgage loans originated with the intent to sell to investors. When quoted market prices are not available, fair value is derived from a hypothetical-securitization model used to estimate the exit price of the loans in securitization. The bid pricing convention is used for loan pricing for similar assets. The valuation model is based upon forward settlements of a pool of loans of identical coupon, maturity, product, and credit attributes. The inputs to the model are continuously updated with available market and historical data. As the loans are sold in the secondary market and predominantly used as collateral for securitizations, the valuation model represents the highest and best use of the loans in Synovus' principal market. Mortgage loans held for sale are classified within Level 2 of the valuation hierarchy.

Private Equity Investments

Private equity investments consist primarily of equity method investments in venture capital funds which are primarily classified as Level 3 within the valuation hierarchy. The valuation of these investments requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. Based on these factors, the ultimate realizable value of these investments could differ significantly from the value reflected in the accompanying consolidated financial statements. For ownership in publicly traded companies held in the funds, valuation is based on the closing market price at the balance sheet date, and the valuation of marketable securities that have market restrictions is discounted until the securities can be freely traded. The private equity investments in which Synovus holds a limited partner interest consist of funds that invest in privately held companies. For privately held companies in the funds, the general partner estimates the fair market value of the company in accordance with GAAP as clarified by ASC 820. The estimated fair market value of the company is the estimated fair value as an exit price the fund would receive if it were to sell the company in the marketplace. The fair value of the fund's underlying investments are estimated through the use of valuation models such as option pricing or a discounted cash flow model. Valuation factors such as a company's operational performance against budget or milestones, last price paid by investors-with consideration given on whether financing is provided by insiders or unrelated new investors, public market comparables, liquidity of the market, industry and economic trends, and change of management or key personnel, are used in the determination of fair value.

Also, Synovus holds an interest in a private equity investment that consists of a fund that invests in publicly traded financial services companies. Although the fund holds investments in publicly traded entities, the fair value of this investment is classified as Level 2 in the valuation hierarchy because there is no actively traded market for the fund itself, and the value of the investment is based on the aggregate market value of the publicly traded companies that are held in the fund for investment.

Investments Held in Rabbi Trusts

The investments held in Rabbi Trusts primarily include mutual funds that invest in equity and fixed income securities. Shares of mutual funds are valued based on quoted market prices, which represents the net asset value of the shares and are therefore classified within Level 1 of the fair value hierarchy.

Derivative Assets and Liabilities

As part of its overall interest rate risk management activities, Synovus utilizes derivative instruments to manage its exposure to various types of interest rate risk. With the exception of one derivative contract discussed herein, Synovus' derivative financial instruments are all level 2 financial instruments. The majority of derivatives entered into by Synovus are executed over-the-counter and consist of interest rate swaps. The fair values of these derivative instruments are determined based on an internally developed model that uses readily observable market data, as quoted market prices are not available for these instruments. The valuation models and inputs depend on the type of derivative and the nature of the underlying instrument, and include interest rates, prices and indices to generate continuous yield or pricing curves, volatility factors, and customer credit related adjustments. The principal techniques used to model the value of these instruments are an income approach, discounted cash flows, Black-Scholes or binomial pricing models. The sale of TBA mortgage-backed securities for current month delivery or in the future and the purchase of option contracts of similar duration are derivatives utilized by Synovus' mortgage subsidiary, and are valued by obtaining prices directly from dealers in the form of quotes for identical securities or options using a bid pricing convention with a spread between bid and offer quotations. Interest rate swaps, floors, caps and collars, and TBA mortgage-backed securities are classified as Level 2 within the valuation hierarchy.

Synovus' mortgage banking subsidiary enters into interest rate lock commitments to fund residential mortgage loans at specified times in the future. Interest rate lock commitments that relate to the origination of mortgage loans that will be held-for-sale are considered derivative instruments under applicable accounting guidance. As such, the Synovus records its interest rate lock commitments and forward loan sales commitments at fair value, determined as the amount that would be required to settle each of these derivative financial instruments at the balance sheet date. In the normal course of business, the mortgage subsidiary enters into contractual interest rate lock agreements to extend credit, if approved, at a fixed interest rate and with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within the time frames established by the mortgage company. Market risk arises if interest rates move adversely between the time of the interest rate lock by the borrower and the sale date of the loan to an investor. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, the mortgage subsidiary enters into best efforts forward sales contracts with third party investors. The forward sales contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments. Both the rate lock commitments to the borrowers and the forward sales contracts to the investors that extend through to the date the loan may close are derivatives, and accordingly, are marked to fair value through earnings. In estimating the fair value of an interest rate lock commitment, the Synovus assigns a probability to the interest rate lock commitment based on an expectation that it will be exercised and the loan will be funded. The fair value of the interest rate lock commitments is derived from the fair value of related mortgage loans which is based on observable market data and includes the expected net future cash flows related to servicing of the loans. The fair value of the interest rate lock commitment is also derived from inputs that include guarantee fees negotiated with the agencies and private investors, buy-up and buy-down values provided by the agencies and private investors, and interest rate spreads for the difference between retail and wholesale mortgage rates. Management also applies fall-out ratio assumptions for those rate lock commitments for which we do not close a mortgage loan. The fall-out ratio assumptions are based on the mortgage subsidiary's historical experience, conversion ratios for similar loan commitments, and market conditions. While fall-out tendencies are not exact predictions of which loans will or will not close, historical performance review of loan-level data provides the basis for determining the appropriate hedge ratios. In addition, on a periodic basis, the mortgage subsidiary performs advanced statistical analysis of actual rate lock fall-out experience to determine the sensitivity of the mortgage pipeline to interest rate changes from the date of the commitment through loan origination, and then period end, using applicable published mortgage-backed investment security prices. The expected fall-out ratios (or conversely the "pull-through" percentages) are applied to the determined fair value of the unclosed mortgage pipeline in accordance with GAAP. Changes to the fair value of interest rate lock commitments are recognized based on interest rate changes, changes in the probability that the commitment will be exercised, and the passage of time. The fair value of the forward sales contracts to investors considers the market price movement of the same type of security between the trade date and the balance sheet date. These instruments are defined as Level 2 within the valuation hierarchy.

In November 2009, Synovus sold certain Visa Class B shares to another Visa USA member financial institution. The sales price was based on the Visa stock conversion ratio in effect at the time for conversion of Visa Class B shares to Visa Class A unrestricted shares at a future date. In conjunction with the sale, Synovus entered into a derivative contract with the purchaser (the Visa derivative) which provides for settlements between the parties based upon a change in the ratio for conversion of Visa Class B shares to Visa Class A shares. The fair value of the Visa derivative is measured using an internal model that includes the use of probability weighted scenarios for estimates of Visa's aggregate exposure to Covered Litigation matters, with consideration of amounts funded by Visa into its escrow account for the Covered Litigation matters. The internal model also includes estimated future fees payable to the derivative counterparty. Since this estimation process requires application of judgment in developing significant unobservable inputs used to determine the possible outcomes and the probability weighting assigned to each scenario, this derivative has been classified as Level 3 within the valuation hierarchy. See Note 11 for additional discussion on the Visa derivative.

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 March 31, 2012 and December 31, 2011, according to the valuation hierarchy included in ASC 820-10. For equity and debt securities, class was determined based on the nature and risks of the investments. Transfers between Levels 1 and 2 for the three months ended March 31, 2012 and the year ended December 31, 2011 were inconsequential.

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	March 31, 2012			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	$—	7,057	—	7,057
State and municipal securities	—	3,106	—	3,106
All other residential mortgage-backed securities	—	6,111	—	6,111
Other investments	—	124	—	124
Total trading securities	—	16,398	—	16,398
Mortgage loans held for sale	—	96,837	—	96,837
Investment securities available for sale:				
U.S. Treasury securities	357	—	—	357
U.S. Government agency securities	—	39,819	—	39,819
Securities issued by U.S. Government sponsored enterprises	—	643,108	—	643,108
Mortgage-backed securities issued by U.S. Government agencies	—	205,127	—	205,127
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,162,976		