LENNOX INTERNATIONAL INC
Form 8-K
July 27, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of report (date of earliest event reported):
July 27, 2010
LENNOX INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-15149**	**42-0991521**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2140 Lake Park Blvd.
Richardson, Texas 75080
(Address of principal executive offices, including zip code)
Registrant s telephone number, including area code:
(972) 497-5000
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On July 27, 2010, Lennox International Inc. (the Company) issued a press release announcing its financial results for the quarter ended June 30, 2010. A copy of such press release is furnished as Exhibit 99.1 to this report.

The information furnished pursuant to this Item 2.02, including Exhibit 99.1, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

EXHIBIT NUMBER	**DESCRIPTION**
99.1	Press release dated July 27, 2010.

SIGNATURES

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

LENNOX INTERNATIONAL INC.

Date: July 27, 2010	By: /s/ Robert L. Villasenor
	Name: Robert L. Villasenor
	Title: Director, Securities Law and Assistant Secretary

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23,297

651

26,044

1,229

Credit cards
—

—

—

—

—

Other retail loans
4,651

4,651

132

5,105

323

Total retail
36,399

37,523

989

39,467

1,898

Total impaired loans with
allowance recorded
$
266,692

270,004

30,435

308,224

9,522

Total impaired loans

Investment properties

$
72,356

75,251

10,070

84,836

2,131

1-4 family properties
52,883

56,902

6,184

64,236

1,618

Land acquisition
32,719

63,791

2,715

48,690

936

Total commercial real estate
157,958

195,944

18,969

197,762

4,685

Commercial, financial and agricultural
47,307

51,980

8,339

49,477

1,125

Owner-occupied
58,292

60,898

2,138

69,980

1,814

Total commercial and industrial
105,599

112,878

10,477

119,457

2,939

Home equity lines
10,605

10,605

206

8,891

346

Consumer mortgages
22,987

24,238

651

27,039

1,229

Credit cards
—

—

—

—

—

Other retail loans
4,651

4,651

132

5,105

323

Total retail
38,243

39,494

989

41,035

1,898

Total impaired loans
$
301,800

348,316

30,435

358,254

9,522

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The average recorded investment in impaired loans was $375.5 million and $323.5 million for the nine and three months ended September 30, 2015. Excluding accruing TDRs, there was no interest income recognized for the investment in impaired loans for the nine and three months ended September 30, 2015. Interest income recognized for accruing TDRs was $7.3 million and $2.2 million for the nine and three months ended September 30, 2015. At September 30, 2016 and December 31, 2015, impaired loans of $57.2 million and $77.9 million, respectively, were on non-accrual status.

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

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The following tables represent, by concession type, the post-modification balance for loans modified or renewed during the nine and three months ended September 30, 2016 and 2015 that were reported as accruing or non-accruing TDRs.

TDRs by Concession Type

	Nine Months Ended September 30, 2016					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness		Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	4	$	—	1,826	3,518	5,344
1-4 family properties	23	—		3,703	1,211	4,914
Land acquisition	13	—		—	1,766	1,766
Total commercial real estate	40	—		5,529	6,495	12,024
Commercial, financial and agricultural	50	—		13,948	5,232	19,180
Owner-occupied	7	—		5,458	550	6,008
Total commercial and industrial	57	—		19,406	5,782	25,188
Home equity lines	5	—		224	123	347
Consumer mortgages	6	—		354	51	405
Credit cards	—	—		—	—	—
Other retail loans	24	—		394	1,828	2,222
Total retail	35	—		972	2,002	2,974
Total TDRs	132	$	—	25,907	14,279	40,186 (1)

	Three Months Ended September 30, 2016					
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness		Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	1	$	—	—	3,370	3,370
1-4 family properties	4	—		213	47	260
Land acquisition	2	—		—	497	497
Total commercial real estate	7	—		213	3,914	4,127
Commercial, financial and agricultural	5	—		—	387	387
Owner-occupied	1	—		2,791	—	2,791
Total commercial and industrial	6	—		2,791	387	3,178
Home equity lines	2	—		—	123	123
Consumer mortgages	—	—		—	—	—
Credit cards	—	—		—	—	—
Other retail loans	7	—		70	294	364
Total retail	9	—		70	417	487
Total TDRs	22	$	—	3,074	4,718	7,792 (2)

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

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TDRs by Concession Type

(in thousands, except contract data)	Nine Months Ended September 30, 2015				
	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	5	$ —	16,932	6,905	23,837
1-4 family properties	31	14,823	4,078	1,774	20,675
Land acquisition	8	—	604	1,187	1,791
Total commercial real estate	44	14,823	21,614	9,866	46,303
Commercial, financial and agricultural	71	—	3,094	5,455	8,549
Owner-occupied	7	—	1,739	1,314	3,053
Total commercial and industrial	78	—	4,833	6,769	11,602
Home equity lines	53	—	2,826	2,905	5,731
Consumer mortgages	12	—	510	786	1,296
Credit cards	—	—	—	—	—
Other retail loans	20	—	259	634	893
Total retail	85	—	3,595	4,325	7,920
Total TDRs	207	$ 14,823	30,042	20,960	65,825 (3)

(in thousands, except contract data)	Three Months Ended September 30, 2015				
	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	1	$ —	—	3,090	3,090
1-4 family properties	10	—	721	895	1,616
Land acquisition	2	—	—	368	368
Total commercial real estate	13	—	721	4,353	5,074
Commercial, financial and agricultural	22	—	1,514	1,611	3,125
Owner-occupied	4	—	—	898	898
Total commercial and industrial	26	—	1,514	2,509	4,023
Home equity lines	5	—	309	757	1,066
Consumer mortgages	—	—	—	—	—
Credit cards	—	—	—	—	—
Other retail loans	7	—	2	139	141
Total retail	12	—	311	896	1,207
Total TDRs	51	$ —	2,546	7,758	10,304 (4)

(3) Net charge-offs of $4.0 million were recorded during the nine months ended September 30, 2015 upon restructuring of these loans.
(4) No net charge-offs were recorded during the three months ended September 30, 2015 upon restructuring of these loans.

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For the nine and three months ended September 30, 2016, there were two defaults with a recorded investment of $181 thousand and one default with a recorded investment of $89 thousand, respectively, on accruing TDRs restructured during the previous twelve months (defaults are defined as the earlier of the TDR being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments) compared to four defaults with a recorded investment of $593 thousand and two defaults with a recorded investment of $478 thousand, respectively, for the nine and three months ended September 30, 2015.

If, at the time a loan was designated as a TDR, the loan was not already impaired, the measurement of impairment that resulted from the TDR designation changes from a general pool-level reserve to a specific loan measurement of impairment in accordance with ASC 310-10-35. Generally, the change in the allowance for loan losses resulting from such TDR designation is not significant. At September 30, 2016, the allowance for loan losses allocated to accruing TDRs totaling $201.9 million was $11.8 million compared to accruing TDRs of $223.9 million with an allocated allowance for loan losses of $12.6 million at December 31, 2015. Non-accrual, non-homogeneous loans (commercial-type impaired loans greater than $1 million) that are designated as TDRs, are individually measured for the amount of impairment, if any, both before and after the TDR designation.

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Note 6 - Other Comprehensive Income (Loss)

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

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

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance at December 31, 2015	$ (12,504)	(18,222)	907	(29,819)
Other comprehensive income before reclassifications	—	34,827	63	34,890
Amounts reclassified from accumulated other comprehensive income (loss)	247	(77)	(76)	94
Net current period other comprehensive income	247	34,750	(13)	34,984
Balance as of September 30, 2016	$ (12,257)	16,528	894	5,165
Balance as of July 1, 2016	$ (12,297)	22,459	843	11,005
Other comprehensive income before reclassifications	—	(5,895)	63	(5,832)
Amounts reclassified from accumulated other comprehensive income (loss)	40	(36)	(12)	(8)
Net current period other comprehensive income	40	(5,931)	51	(5,840)
Balance as of September 30, 2016	$ (12,257)	16,528	894	5,165

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

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance at December 31, 2014	$ (12,824)	(713)	932	(12,605)
Other comprehensive income before reclassifications	—	7,941	143	8,084
Amounts reclassified from accumulated other comprehensive income (loss)	206	(1,667)	(110)	(1,571)
Net current period other comprehensive income	206	6,274	33	6,513
Balance as of September 30, 2015	$ (12,618)	5,561	965	(6,092)
Balance as of July 1, 2015	$ (12,687)	(10,659)	1,023	(22,323)
Other comprehensive income (loss) before reclassifications	—	16,220	—	16,220
Amounts reclassified from accumulated other comprehensive income (loss)	69	—	(58)	11
Net current period other comprehensive income (loss)	69	16,220	(58)	16,231
Balance as of September 30, 2015	$ (12,618)	5,561	965	(6,092)

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In accordance with ASC 740-20-45-11(b), a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income is charged directly to other comprehensive income (loss). During the years 2010 and 2011, Synovus recorded a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income directly to other comprehensive income (loss) by applying the portfolio approach for allocation of the valuation allowance. Synovus has consistently applied the portfolio approach which treats derivative financial instruments, equity securities, and debt securities as a single portfolio. As of September 30, 2016, the balance in net unrealized gains (losses) on cash flow hedges and net unrealized gains (losses) on investment securities available for sale includes unrealized losses of $12.1 million and $13.3 million, respectively, related to the residual tax effects remaining in OCI due to a previously established deferred tax asset valuation allowance. Under the portfolio approach, these unrealized losses are realized at the time the entire portfolio is sold or disposed.

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Reclassifications out of Accumulated Other Comprehensive Income (Loss)

Details About Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Nine Months Ended September 30, 2016	2015	Affected Line Item in the Statement Where Net Income is Presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$(205)	(336)	Interest expense
Amortization of deferred losses	(197)	—	Loss on early extinguishment of debt
	155	130	Income tax (expense) benefit
	$(247)	(206)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$126	2,710	Investment securities gains, net
	(49)	(1,043)	Income tax (expense) benefit
	$77	1,667	Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$124	178	Salaries and other personnel expense
	(48)	(68)	Income tax (expense) benefit
	$76	110	Reclassifications, net of income taxes

Reclassifications out of Accumulated Other Comprehensive Income (Loss)

Details About Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Three Months Ended September 30, 2016	2015	Affected Line Item in the Statement Where Net Income is Presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	$ (65)	(112)	Interest expense
	25	43	Income tax (expense) benefit

	$ (40)	(69)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$ 59	—	Investment securities gains, net
	(23)	—	Income tax (expense) benefit
	$ 36	—	Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$ 20	94	Salaries and other personnel expense
	(8)	(36)	Income tax (expense) benefit
	$ 12	58	Reclassifications, net of income taxes

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Note 7 - Fair Value Accounting

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

Fair Value Hierarchy

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

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

See "Note 14 - Fair Value Accounting" to the consolidated financial statements of Synovus' 2015 Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents all financial instruments measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015, according to the valuation hierarchy included in ASC 820-10. For equity and debt securities, class was determined based on the nature and risks of the investments. Transfers between levels during the nine and three months ended September 30, 2016 and year ended December 31, 2015 were inconsequential.

	September 30, 2016			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
U.S. Government agency securities		2,371		2,371
Mortgage-backed securities issued by U.S. Government agencies	—	2,380	—	2,380
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	1,860	—	1,860
State and municipal securities	—	698	—	698
Total trading securities	$—	7,309	—	7,309
Mortgage loans held for sale	—	95,769	—	95,769
Investment securities available for sale:				
U.S. Treasury securities	74,512	—	—	74,512
U.S. Government agency securities	—	13,143	—	13,143
Mortgage-backed securities issued by U.S. Government agencies	—	185,151	—	185,151
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,422,656	—	2,422,656
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	876,109	—	876,109
State and municipal securities	—	2,899	—	2,899
Equity securities	8,647	—	—	8,647
Other investments[(1)]	3,172	15,091	1,773	20,036
Total investment securities available for sale	$86,331	3,515,049	1,773	3,603,153
Private equity investments	—	—	25,992	25,992
Mutual funds held in rabbi trusts	11,206	—	—	11,206
Derivative assets:				
Interest rate contracts	—	32,336	—	32,336
Mortgage derivatives[(2)]	—	2,407	—	2,407
Total derivative assets	$—	34,743	—	34,743
Liabilities				
Trading account liabilities	—	5,666	—	5,666
Derivative liabilities:				
Interest rate contracts	—	32,747	—	32,747
Mortgage derivatives[(2)]	—	659	—	659
Visa derivative	—	—	1,415	1,415
Total derivative liabilities	$—	33,406	1,415	34,821

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

(1) Based on an analysis of the nature and risks of these investments, Synovus has determined that presenting these investments as a single asset class is appropriate.
(2) Mortgage derivatives consist of customer interest rate lock commitments that relate to the potential origination of mortgage loans, which would be classified as held for sale and forward loan sales commitments with third-party investors.

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Fair Value Option

The following table summarizes the difference between the fair value and the unpaid principal balance of mortgage loans held for sale measured at fair value and the changes in fair value of these loans. Mortgage loans held for sale are initially measured at fair value with subsequent changes in fair value recognized in earnings. Changes in fair value are recorded as a component of mortgage banking income in the consolidated statements of income. An immaterial portion of these changes in fair value was attributable to changes in instrument-specific credit risk.

Changes in Fair Value Included in Net Income

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
(in thousands)	2016	2015	2016	2015
Mortgage loans held for sale	$1,762	450	$ (87)	1,012

Mortgage Loans Held for Sale

(in thousands)	As of September 30, 2016	As of December 31, 2015
Fair value	$95,769	59,275
Unpaid principal balance	92,910	58,177
Fair value less aggregate unpaid principal balance	$2,859	1,098

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Changes in Level 3 Fair Value Measurements and Quantitative Information about Level 3 Fair Value Measurements
As noted above, Synovus uses significant unobservable inputs (Level 3) in determining the fair value of assets and liabilities classified as Level 3 in the fair value hierarchy. The table below includes a roll-forward of the amounts on the consolidated balance sheet for the nine and three months ended September 30, 2016 and 2015 (including the change in fair value), for financial instruments of a material nature that are classified by Synovus within Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis. Transfers between fair value levels are recognized at the end of the reporting period in which the associated changes in inputs occur. During the nine and three months ended September 30, 2016 and 2015, Synovus did not have any transfers between levels in the fair value hierarchy.

	Nine Months Ended September 30,					
	2016			2015		
(in thousands)	Investment Securities Available for Sale	Private Equity Investments	Visa Derivative	Investment Securities Available for Sale	Private Equity Investments	Visa Derivative
Beginning balance, January 1,	$1,745	27,148	(1,415)	1,645	27,367	(1,401)
Total gains (losses) realized/unrealized:						
Included in earnings	—	(527)	(1,080)	—	(517)	(1,092)
Unrealized gains (losses) included in other comprehensive income	28	—	—	(114)	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Settlements	—	(629)	1,080	—	—	1,078
Amortization of discount/premium	—	—	—	—	—	—
Transfers in and/or out of Level 3	—	—	—	—	—	—
Ending balance, September 30,	$1,773	25,992	(1,415)	1,531	26,850	(1,415)
Total net gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at September 30,	$—	(527)	(1,080)	—	(517)	(1,092)

	Three Months Ended September 30,					
	2016			2015		
(in thousands)	Investment Securities Available for Sale	Private Equity Investments	Visa Derivative	Investment Securities Available for Sale	Private Equity Investments	Visa Derivative
Beginning balance, July 1,	$1,625	26,866	(1,415)	1,700	26,959	(1,415)
Total gains (losses) realized/unrealized:						
Included in earnings	—	(249)	(360)	—	(109)	(363)
Unrealized gains (losses) included in other comprehensive income	148	—	—	(169)	—	—
Settlements	—	(625)	360	—	—	363
Ending balance, September 30,	$1,773	25,992	(1,415)	1,531	26,850	(1,415)
Total net gains (losses) for the period included in earnings attributable to the change in unrealized gains	$—	(249)	(360)	—	(109)	(363)

(losses) relating to assets still held at September 30,

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The table below provides an overview of the valuation techniques and significant unobservable inputs used in those techniques to measure financial instruments that are classified within Level 3 of the valuation hierarchy and are measured at fair value on a recurring basis. The range of sensitivities that management utilized in its fair value calculations is deemed acceptable in the industry with respect to the identified financial instruments.

	Valuation Technique	Significant Unobservable Input	September 30, 2016 Range (Weighted Average)[1]	December 31, 2015 Range (Weighted Average)[1]
Assets measured at fair value on a recurring basis				
Investment Securities Available for Sale - Other Investments:				
Trust preferred securities	Discounted cash flow analysis	Credit spread embedded in discount rate	438 bps	477 bps
Private equity investments	Individual analysis of each investee company	Multiple factors, including but not limited to, current operations, financial condition, cash flows, evaluation of business management and financial plans, and recently executed financing transactions related to the investee companies	N/A	N/A
		Discount for lack of liquidity[2]	15%	15%
Visa derivative liability	Internal valuation	Estimated future cumulative deposits to the litigation escrow for settlement of the Covered Litigation, and estimated future monthly fees payable to the derivative counterparty	N/A	N/A

[1] The range represents management's best estimate of the high and low of the value that would be assigned to a particular input.
[2] Represents management's estimate of discount that market participants would require based on the instrument's lack of liquidity.

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Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are recorded at fair value on a non-recurring basis. These non-recurring fair value adjustments typically are a result of the application of lower of cost or fair value accounting or a write-down occurring during the period. For example, if the fair value of an asset in these categories falls below its cost basis, it is considered to be at fair value at the end of the period of the adjustment. The following table presents assets measured at fair value on a non-recurring basis as of the dates indicated for which there was a fair value adjustment during the period.

	September 30, 2016				December 31, 2015			
(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Impaired loans*	$—	—	5,952	5,952	—	—	11,264	11,264
Other loans held for sale	—	—	2,474	2,474	—	—	425	425
Other real estate	—	—	11,036	11,036	—	—	23,519	23,519
Other assets held for sale	$—	—	7,094	7,094	—	—	3,425	3,425

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
(in thousands)	2016	2015	2016	2015
Impaired loans*	$1,329	3,549	59	1,789
Other loans held for sale	2,096	—	2,096	—
Other real estate	2,405	7,405	968	2,645
Other assets held for sale	7,532	1,043	907	1,043

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

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The table below provides an overview of the valuation techniques and significant unobservable inputs used in those techniques to measure financial instruments that are classified within Level 3 of the valuation hierarchy and are measured at fair value on a non-recurring basis. The range of sensitivities that management utilized in its fair value calculations is deemed acceptable in the industry with respect to the identified financial instruments.

	Valuation Technique	Significant Unobservable Input	September 30, 2016 Range (Weighted Average)[1]	December 31, 2015 Range (Weighted Average)[1]
Assets measured at fair value on a non-recurring basis				
Collateral dependent impaired loans	Third-party appraised value of collateral less estimated selling costs or contracted sales price	Discount to appraised value [2] Estimated selling costs	0% - 52% (11%) 0% - 10% (7%)	0%-80% (29%) 0%-10% (7%)
Other loans held for sale	Third-party appraised value of collateral less estimated selling costs or contracted sales price	Discount to appraised value [2] Estimated selling costs	0%-13% (13%) 0%-10% (7%)	0%-3% (3%) 0%-10% (7%)
Other real estate	Third-party appraised value of real estate less estimated selling costs or contracted sales price	Discount to appraised value [2] Estimated selling costs	0% - 10% (6%) 0% - 10% (7%)	0%-20% (7%) 0%-10% (7%)
Other assets held for sale	Third-party appraised value of real estate or other asset less estimated selling costs or BOV	Discount to appraised value [2] Estimated selling costs	0%-71% (41%) 0%-10% (7%)	0%-35% (31%) 0%-10% (7%)

(1) The range represents management's estimate of the high and low of the value that would be assigned to a particular input. For assets measured at fair value on a non-recurring basis, the weighted average is the measure of central tendencies; it is not the value that management is using for the asset or liability.
(2) Synovus also makes adjustments to the values of the assets listed above for reasons, including age of the appraisal, information known by management about the property, such as occupancy rates, changes to the physical condition of the property, and other factors.

Fair Value of Financial Instruments

The following table presents the carrying and fair values of financial instruments at September 30, 2016 and December 31, 2015. The fair values represent management’s estimates based on various methodologies and assumptions. For financial instruments that are not recorded at fair value on the balance sheet, such as loans held for investment, interest bearing deposits (including brokered deposits), and long-term debt, the fair value amounts should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately.

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The carrying and estimated fair values of financial instruments, as well as the level within the fair value hierarchy, as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016				
(in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$367,342	367,342	367,342	—	—
Interest bearing funds with Federal Reserve Bank	985,776	985,776	985,776	—	—
Interest earning deposits with banks	18,375	18,375	18,375	—	—
Federal funds sold and securities purchased under resale agreements	71,753	71,753	71,753	—	—
Trading account assets	7,309	7,309	—	7,309	—
Mortgage loans held for sale	95,769	95,769	—	95,769	—
Other loans held for sale	2,474	2,474			2,474
Investment securities available for sale	3,603,153	3,603,153	86,331	3,515,049	1,773
Private equity investments	25,992	25,992	—	—	25,992
Mutual funds held in rabbi trusts	11,206	11,206	11,206	—	—
Loans, net of deferred fees and costs	23,262,887	22,991,371	—	—	22,991,371
Derivative assets	34,743	34,743	—	34,743	—
Financial liabilities					
Trading account liabilities	5,666	5,666	—	5,666	—
Non-interest bearing deposits	7,059,059	7,059,059	—	7,059,059	—
Interest bearing deposits	17,132,944	17,125,098	—	17,125,098	—
Federal funds purchased and securities sold under repurchase agreements	195,025	195,025	195,025	—	—
Long-term debt	2,160,985	2,233,257	—	2,233,257	—
Derivative liabilities	$34,821	34,821	—	33,406	1,415

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	December 31, 2015				
(in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$367,092	367,092	367,092	—	—
Interest bearing funds with Federal Reserve Bank	829,887	829,887	829,887	—	—
Interest earning deposits with banks	17,387	17,387	17,387	—	—
Federal funds sold and securities purchased under resale agreements	69,819	69,819	69,819	—	—
Trading account assets	5,097	5,097		5,097	—
Mortgage loans held for sale	59,275	59,275		59,275	—
Other loans held for sale	425	425	—	—	425
Investment securities available for sale	3,587,818	3,587,818	56,102	3,529,971	1,745
Private equity investments	28,018	28,018	—	870	27,148
Mutual funds held in rabbi trusts	10,664	10,664	10,664	—	—
Loans, net of deferred fees and costs	22,429,565	22,192,903	—	—	22,192,903
Derivative assets	27,139	27,139	—	27,139	—
Financial liabilities					
Trading account liabilities	1,032	1,032	—	1,032	—
Non-interest bearing deposits	6,732,970	6,732,970	—	6,732,970	—
Interest bearing deposits	16,509,691	16,516,222	—	16,516,222	—
Federal funds purchased and securities sold under repurchase agreements	177,025	177,025	177,025	—	—
Long-term debt	2,186,893	2,244,376	—	2,244,376	—
Derivative liabilities	$27,445	27,445	—	26,030	1,415

Note 8 - Derivative Instruments

As part of its overall interest rate risk management activities, Synovus utilizes derivative instruments to manage its exposure to various types of interest rate risk. These derivative instruments generally consist of interest rate swaps, interest rate lock commitments made to prospective mortgage loan customers, and commitments to sell fixed-rate mortgage loans. Interest rate lock commitments represent derivative instruments since it is intended that such loans will be sold.

Synovus may also utilize interest rate swaps to manage interest rate risks primarily arising from its core banking activities. These interest rate swap transactions generally involve the exchange of fixed and floating interest rate payment obligations without the exchange of underlying principal amounts. Swaps may be designated as either cash flow hedges or fair value hedges, as discussed below. As of September 30, 2016 and December 31, 2015, Synovus had no outstanding interest rate swap contracts utilized to manage interest rate risk related to core banking activities.

Synovus is party to master netting arrangements with its dealer counterparties; however, Synovus does not offset assets and liabilities under these arrangements for financial statement presentation purposes.

Counterparty Credit Risk and Collateral

Entering into derivative contracts potentially exposes Synovus to the risk of counterparties' failure to fulfill their legal obligations, including, but not limited to, potential amounts due or payable under each derivative contract. Notional principal amounts are often used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. Synovus assesses the credit risk of its dealer counterparties by regularly monitoring publicly available credit rating information, evaluating other market indicators, and periodic detailed financial reviews. Dealer collateral requirements are determined via risk-based policies and procedures and in accordance with existing agreements. Synovus seeks to minimize dealer credit risk by dealing with highly rated counterparties and by obtaining collateral for exposures above certain predetermined limits. Management closely monitors credit conditions within the customer swap portfolio, which management deems to be of higher risk than dealer counterparties. Collateral is secured at origination and credit related fair value adjustments are recorded against the asset value of the derivative as deemed necessary based upon an analysis, which includes consideration of the current asset value of the swap, customer credit rating, collateral value, and customer standing with regards to its swap contractual obligations and other related matters. Such asset values fluctuate based upon changes in interest rates regardless of changes in notional amounts and changes in customer specific risk.

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Cash Flow Hedges
As of September 30, 2016, there were no cash flow hedges outstanding. Synovus did not terminate any cash flow hedges during 2016 or 2015. The remaining unamortized deferred net loss balance of all previously terminated cash flow hedges at September 30, 2016 and December 31, 2015 was $(195) thousand and $(597) thousand, respectively. Synovus expects to reclassify from accumulated other comprehensive income (loss) the remaining $195 thousand to interest expense during the next nine months as amortization of deferred losses from prior period cash flow hedge terminations is recognized. Additionally, Synovus recognized $197 thousand of the deferred loss balance to loss on early extinguishment of debt during the first quarter of 2016.
Fair Value Hedges
As of September 30, 2016, there were no fair value hedges outstanding. Synovus did not terminate any fair value hedges during 2016 or 2015. The remaining unamortized deferred gain balance on all previously terminated fair value hedges at September 30, 2016 and December 31, 2015 was $1.3 million and $4.0 million, respectively. Synovus expects to reclassify from hedge-related basis adjustment, a component of long-term debt, the remaining $1.3 million of deferred gain balance on previously terminated fair value hedges as a reduction to interest expense during the next nine months as amortization of deferred gains is recorded. Additionally, Synovus recorded $1.3 million of the unamortized deferred gain balance to loss on early extinguishment of debt during the first quarter of 2016.
Customer Related Derivative Positions
Synovus enters into interest rate swap agreements to facilitate the risk management strategies of a small number of commercial banking customers. Synovus mitigates this risk by entering into equal and offsetting interest rate swap agreements with highly rated third-party financial institutions. The interest rate swap agreements are free-standing derivatives and are recorded at fair value on Synovus' consolidated balance sheet. Fair value changes are recorded in non-interest income in Synovus' consolidated statements of income. As of September 30, 2016, the notional amount of customer related interest rate derivative financial instruments, including both the customer position and the offsetting position, was $1.31 billion, an increase of $30.0 million compared to December 31, 2015.
Visa Derivative
In conjunction with the sale of Class B shares of common stock issued by Visa to Synovus as a Visa USA member, Synovus entered into a derivative contract with the purchaser, which provides for settlements between the parties based upon a change in the ratio for conversion of Visa Class B shares to Visa Class A shares. The conversion ratio changes when Visa deposits funds to a litigation escrow established by Visa to pay settlements for certain litigation, for which Visa is indemnified by Visa USA members. The litigation escrow is funded by proceeds from Visa’s conversion of Class B shares. The fair value of the derivative contract was $1.4 million at both September 30, 2016 and December 31, 2015. The fair value of the derivative contract is determined based on management's estimate of the timing and amount of the Covered Litigation settlement, and the resulting payments due to the counterparty under the terms of the contract. Management believes that the estimate of Synovus' exposure to the Visa indemnification and fees associated with the Visa derivative is adequate based on current information, including Visa's recent announcements and disclosures. However, future developments in the litigation could require potentially significant changes to Synovus' estimate.
Mortgage Derivatives
Synovus originates first lien residential mortgage loans for sale into the secondary market. Mortgage loans are sold by Synovus for conversion to securities and the servicing of these loans is generally sold to a third-party servicing aggregator, or Synovus sells the mortgage loans as whole loans to investors either individually or in bulk on a servicing released basis.
Synovus enters into interest rate lock commitments for residential mortgage loans which commits it to lend funds to a potential borrower at a specific interest rate and within a specified period of time. Interest rate lock commitments that relate to the origination of mortgage loans that, if originated, will be held for sale, are considered derivative financial instruments under applicable accounting guidance. Outstanding interest rate lock commitments expose Synovus to the risk that the price of the mortgage loans underlying the commitments may decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan.

At September 30, 2016 and December 31, 2015, Synovus had commitments to fund at a locked interest rate, primarily fixed-rate mortgage loans to customers in the amount of $120.1 million and $88.8 million, respectively. The fair value of these commitments resulted in a gain of $1.0 million and $632 thousand for the nine months ended September 30, 2016 and 2015, respectively, which was recorded as a component of mortgage banking income in the consolidated statements of income.

At September 30, 2016 and December 31, 2015, outstanding commitments to sell primarily fixed-rate mortgage loans amounted to $39.4 million and $95.0 million, respectively. Such commitments are entered into to reduce the exposure to market risk arising from potential changes in interest rates, which could affect the fair value of mortgage loans held for sale and outstanding rate lock commitments, which guarantee a certain interest rate if the loan is ultimately funded or granted by Synovus as a mortgage loan

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held for sale. The commitments to sell mortgage loans are at fixed prices and are scheduled to settle at specified dates that generally do not exceed 90 days. Fair value adjustments related to these outstanding commitments to sell mortgage loans resulted in a loss of $830 thousand and $356 thousand for the nine months ended September 30, 2016 and 2015, respectively, which were recorded as a component of mortgage banking income in the consolidated statements of income.

Collateral Contingencies

Certain derivative counterparties require Synovus to maintain specified minimum credit ratings from each of the major credit rating agencies. Should Synovus' credit rating fall below these specified ratings, the counterparties have the contractual right to demand immediate and ongoing full collateralization on derivative instruments in net liability positions and, for certain counterparties, request immediate termination. Certain of these agreements currently require Synovus to post collateral against specific derivative positions. Additionally, as of June 10, 2013, the CCC became mandatory for certain trades as required under the Dodd-Frank Act. These derivative transactions also carry collateral requirements, both at the inception of the trade, and as the value of each derivative position changes. As trades are migrated to the CCC, dealer counterparty exposure will be reduced, and higher notional amounts of Synovus' derivative instruments will be housed at the CCC, a highly regulated and well-capitalized entity. As of September 30, 2016, collateral totaling $71.0 million, consisting of Federal funds sold, was pledged to the derivative counterparties, including $23.3 million with the CCC, to comply with collateral requirements.

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

	Fair Value of Derivative Assets			Fair Value of Derivative Liabilities		
(in thousands)	Location on Consolidated Balance Sheet	September 30, 2016	December 31, 2015	Location on Consolidated Balance Sheet	September 30, 2016	December 31, 2015
Derivatives not designated as hedging instruments:						
Interest rate contracts	Other assets	$ 32,336	25,580	Other liabilities	32,747	26,030
Mortgage derivatives	Other assets	2,407	1,559	Other liabilities	659	—
Visa derivative		—	—	Other liabilities	1,415	1,415
Total derivatives not designated as hedging instruments		$ 34,743	27,139		34,821	27,445

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

(in thousands)	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income Nine Months Ended September 30,	
Derivatives not designated as hedging instruments		2016	2015

Interest rate contracts[1]	Other non-interest income	$39	10
Mortgage derivatives[2]	Mortgage banking income	189	276
Total		$228	286

(in thousands)		Gain (Loss) Recognized in Income Three Months Ended September 30,	
Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income	2016	2015
Interest rate contracts[1]	Other non-interest income	$5	170
Mortgage derivatives[2]	Mortgage banking income	674	(1,955)
Total		$679	(1,785)

[1] Gain (loss) represents net fair value adjustments (including credit related adjustments) for customer swaps and offsetting positions.

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[2] Gain (loss) represents net fair value adjustments recorded for interest rate lock commitments and commitments to sell mortgage loans to third-party investors.

During the nine months ended September 30, 2016 and 2015, Synovus reclassified $1.4 million and $2.3 million, respectively, from hedge-related basis adjustment, a component of long-term debt, as a reduction to interest expense. Additionally, during the nine months ended September 30, 2016, Synovus reclassified $1.3 million from hedge-related basis adjustment, as a reduction to loss on early extinguishment of debt. These deferred gains relate to hedging relationships that have been previously terminated and are reclassified into earnings over the remaining life of the hedged items.

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Note 9 - Net Income Per Common Share

The following table displays a reconciliation of the information used in calculating basic and diluted earnings per common share for the nine and three months ended September 30, 2016.

	Nine Months Ended September 30,		Three Months Ended September 30,	
(in thousands, except per share data)	2016	2015	2016	2015
Basic Net Income Per Common Share:				
Net income available to common shareholders	$170,555	160,006	$62,686	55,369
Weighted average common shares outstanding	125,076	133,120	122,924	131,516
Net income per common share, basic	$1.36	1.20	0.51	0.42
Diluted Net Income Per Common Share:				
Net income available to common shareholders	$170,555	160,006	$62,686	55,369
Weighted average common shares outstanding	125,076	133,120	122,924	131,516
Potentially dilutive shares from outstanding equity-based awards	636	756	680	781
Weighted average diluted common shares	125,712	133,876	123,604	132,297
Net income per common share, diluted	$1.36	1.20	0.51	0.42

Basic net income per common share is computed by dividing net income by the average common shares outstanding for the period. Diluted net income per common share reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted. The dilutive effect of outstanding options and restricted share units is reflected in diluted net income per common share, unless the impact is anti-dilutive, by application of the treasury stock method.

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

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Note 10 - Share-based Compensation

General Description of Share-based Plans

Synovus has a long-term incentive plan under which the Compensation Committee of the Board of Directors has the authority to grant share-based awards to Synovus employees. At September 30, 2016, Synovus had a total of 6.1 million shares of its authorized but unissued common stock reserved for future grants under the 2013 Omnibus Plan. The 2013 Omnibus Plan authorizes 8.6 million common share equivalents available for grant, where grants of options count as one share equivalent and grants of full value awards (e.g., restricted share units, market restricted share units, and performance share units) count as two share equivalents. Any restricted share units that are forfeited and options that expire unexercised will again become available for issuance under the Plan. The Plan permits grants of share-based compensation including stock options, restricted share units, market restricted share units, and performance share units. The grants generally include vesting periods ranging from three to five years and contractual terms of ten years. Stock options are granted at exercise prices which equal the fair value of a share of common stock on the grant-date. Market restricted share units and performance share units are granted at target and are compared annually to required market and performance metrics to determine final units vested and compensation expense. Synovus has historically issued new shares to satisfy share option exercises and share unit conversions. Dividend equivalents are paid on outstanding restricted share units, market restricted share units, and performance share units in the form of additional restricted share units that vest over the same vesting period or the vesting period left on the original restricted share unit grant.

Share-based Compensation Expense

Total share-based compensation expense was $10.2 million and $3.4 million for the nine and three months ended September 30, 2016, respectively, and $9.5 million and $3.2 million for the nine and three months ended September 30, 2015, respectively.

Stock Options

No stock option grants were made during the nine months ended September 30, 2016. At September 30, 2016, there were 1.4 million outstanding options to purchase shares of common stock with a weighted average exercise price of $34.77 per share.

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

During the nine months ended September 30, 2016, Synovus awarded 344 thousand restricted share units that have a service-based vesting period of three years and awarded 84 thousand performance share units that vest upon service and performance conditions. Synovus also granted 94 thousand market restricted share units during the nine months ended September 30, 2016. The weighted average grant-date fair value of the awarded restricted share units, performance share units and market restricted share units was $26.35 per share. Market restricted share units and performance share units are granted at target and are compared annually to required market and performance metrics. The performance share units vest upon meeting certain service and performance conditions. Return on average assets (ROAA) performance is evaluated each year over a three-year performance period, with share distribution determined at the end of the three years. The number of performance share units that will ultimately vest ranges from 0% to 150% of target based on Synovus' three-year weighted average ROAA (as defined). The market restricted share units have a three-year service-based vesting component as well as a total shareholder return multiplier. The number of market restricted share units that will ultimately vest ranges from 75% to 125% of target based on Synovus' total shareholder return. At September 30, 2016, including dividend equivalents granted, there were 1.1 million restricted share units, performance share units and market restricted share units outstanding with a weighted average grant-date fair value of $26.36 per share.

Note 11 - Commitments and Contingencies

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

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

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

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

(in thousands)	September 30, 2016	December 31, 2015
Letters of credit*	$ 159,041	166,936
Commitments to fund commercial real estate, construction, and land development loans	1,525,451	1,882,130
Unused credit card lines	1,093,049	1,055,181
Commitments under home equity lines of credit	1,095,322	1,051,386
Commitments to fund commercial and industrial loans	4,169,740	4,094,809
Other loan commitments	403,222	284,706
Total unfunded lending commitments and letters of credit	$ 8,445,825	8,535,148

* Represents the contractual amount net of risk participations of $82 million and $66 million at September 30, 2016 and December 31, 2015, respectively.

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Note 12 - Legal Proceedings

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

Synovus carefully examines and considers each legal matter, and, in those situations where Synovus determines that a particular legal matter presents loss contingencies that are both probable and reasonably estimable, Synovus establishes an appropriate accrual. An event is considered to be probable if the future event is likely to occur. While the final outcome of any legal proceeding is inherently uncertain, based on the information currently available, advice of counsel and available insurance coverage, management believes that the amounts accrued with respect to legal matters as of September 30, 2016 are adequate. The actual costs of resolving legal claims may be higher or lower than the amounts accrued.

In addition, where Synovus determines that there is a reasonable possibility of a loss in respect of legal matters, including those legal matters described below, Synovus considers whether it is able to estimate the total reasonably possible loss or range of loss. An event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely." An event is "remote" if "the chance of the future event occurring is more than slight but less than reasonably possible." In many situations, Synovus may be unable to estimate reasonably possible losses due to the preliminary nature of the legal matters, as well as a variety of other factors and uncertainties. For those legal matters where Synovus is able to estimate a range of reasonably possible losses, management currently estimates that the aggregate range from our pending and threatened litigation, including, without limitation, the matters described below, is from zero to $12 million in excess of the amounts accrued, if any, related to those matters. This estimated aggregate range is based upon information currently available to Synovus, and the actual losses could prove to be higher. As there are further developments in these legal matters, Synovus will reassess these matters, and the estimated range of reasonably possible losses may change as a result of this assessment. Based on Synovus' current knowledge and advice of counsel, management presently does not believe that the liabilities arising from these legal matters will have a material adverse effect on Synovus' consolidated financial condition, results of operations or cash flows. However, it is possible that the ultimate resolution of these legal matters could have a material adverse effect on Synovus' results of operations for any particular period.

Synovus intends to vigorously pursue all available defenses to these legal matters, but will also consider other alternatives, including settlement, in situations where there is an opportunity to resolve such legal matters on terms that Synovus considers to be favorable, including in light of the continued expense, reputational risk and distraction of defending such legal matters. Synovus also maintains insurance coverage, which may (or may not) be available to cover legal fees, or potential losses that might be incurred in connection with the legal matters described below. The above-noted estimated range of reasonably possible losses does not take into consideration insurance coverage which may or may not be available for the respective legal matters.

TelexFree Litigation

On October 22, 2014, several pending lawsuits were consolidated into a multi-district putative class action case captioned In re: TelexFree Securities Litigation, MDL Number 4:14-md2566-TSH, United States District Court District of Massachusetts. Synovus Financial Corp. and Synovus Bank were named as defendants with numerous other defendants in the purported class action lawsuit. An Amended Complaint was filed on March 31, 2015 which consolidated and amended the claims previously asserted. The claims against Synovus Financial Corp. were dismissed by Plaintiffs on April 10, 2015 so now, as to Synovus-related entities, only claims against Synovus Bank remain pending. TelexFree was a merchant customer of Base Commerce, LLC, an independent sales organization/member service provider sponsored by Synovus Bank. The purported class action lawsuit generally alleges that TelexFree engaged in an improper multi-tier marketing scheme involving voice-over Internet protocol telephone services and that the various defendants, including Synovus Bank, provided financial services to TelexFree that allowed TelexFree to conduct its business operations. Synovus Bank filed a motion to dismiss the lawsuit on June 1, 2015, which remains pending before the court.

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

ITEM 2. – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this Report, the words “Synovus,” “the Company,” “we,” “us,” and “our” refer to Synovus Financial Corp. together with Synovus Bank and Synovus' other wholly-owned subsidiaries, except where the context requires otherwise.

FORWARD-LOOKING STATEMENTS

Certain statements made or incorporated by reference in this Report which are not statements of historical fact including those under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Report, constitute forward-looking statements within the meaning of, and subject to the protections of, Section 27A of the Securities Act, and Section 21E of the Exchange Act. Forward-looking statements include statements with respect to Synovus' beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, many of which are beyond Synovus' control and which may cause Synovus' actual results, performance or achievements or the commercial banking industry or economy generally, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are forward-looking statements. You can identify these forward-looking statements through Synovus' use of words such as “believes,” “anticipates,” “expects,” “may,” “will,” “assum “predicts,” “could,” “should,” “would,” “intends,” “targets,” “estimates,” “projects,” “plans,” “potential” and other similar wor expressions of the future or otherwise regarding the outlook for Synovus' future business and financial performance and/or the performance of the commercial banking industry and economy in general. Forward-looking statements are based on the current beliefs and expectations of Synovus' management and are subject to significant risks and uncertainties. Actual results may differ materially from those contemplated by such forward-looking statements. A number of factors could cause actual results to differ materially from those contemplated by the forward-looking statements in this document. Many of these factors are beyond Synovus' ability to control or predict. These factors include, but are not limited to:

(1) the risk that competition in the financial services industry may adversely affect our future earnings and growth;
(2) the risk that we may not realize the expected benefits from our efficiency and growth initiatives, which will negatively affect our future profitability;
(3) the risk that our enterprise risk management framework may not identify or address risks adequately, which may result in unexpected losses;
(4) the risk that our allowance for loan losses may prove to be inadequate or may be negatively affected by credit risk exposures;
(5) the risk that any future economic downturn could have a material adverse effect on our capital, financial condition, results of operations and future growth;
(6) changes in the interest rate environment, including changes to the federal funds rate, and competition in our primary market area may result in increased funding costs or reduced earning assets yields, thus reducing margins and net interest income;
(7) the risk that we may be required to make substantial expenditures to keep pace with the rapid technological changes in the financial services market, as well as the risk that we face in the course of maintaining and upgrading our internal software platforms, systems, policies, and procedures;

(8) risks related to a failure in or breach of our operational or security systems of our infrastructure, or those of our third-party vendors and other service providers, including as a result of cyber-attacks, which could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs or cause losses;

(9) risks related to our reliance on third parties to provide key components of our business infrastructure, including the costs of services and products provided to us by third parties, and risks related to disruptions in service or financial difficulties of a third-party vendor;

(10) our ability to attract and retain key employees;

(11) the risk that we could realize losses if we determine to sell non-performing assets and the proceeds we receive are lower than the carrying value of such assets;

(12) the risk that we may not be able to identify suitable acquisition targets as part of our growth strategy and even if we are able to identify suitable acquisition targets, we may not be able to complete such acquisitions, successfully integrate bank or nonbank acquisitions into our existing operations, or realize the anticipated benefits or synergies from such acquisitions;

(13) the impact of the recent and proposed changes in governmental policy, laws and regulations, including proposed and recently enacted changes in the regulation of banks and financial institutions, or the interpretation or application thereof, including restrictions, increased capital requirements, limitations and/or penalties arising from banking, securities and insurance laws, enhanced regulations and examinations and restrictions on compensation;

(14) the risk that problems encountered by other financial institutions could adversely affect us or the banking industry generally and could require us to change certain banking practices, impose additional costs on us or otherwise negatively affect our business;

(15) the impact on our financial results, reputation, and business if we are unable to comply with all applicable federal and state regulations or other supervisory actions or directives and any necessary capital initiatives;

(16) the risks that if economic conditions worsen or regulatory capital rules are modified, or the results of mandated "stress testing" do not satisfy certain criteria, we may be required to undertake initiatives to improve our capital position;

(17) changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which we are perceived in such markets, may adversely affect our capital resources, liquidity and financial results;

(18) restrictions or limitations on access to funds from historical and alternative sources of liquidity could adversely affect our overall liquidity, which could restrict our ability to make payments on our obligations and our ability to support asset growth and sustain our operations and the operations of Synovus Bank;

(19) the risk that we may be unable to pay dividends on our common stock or Series C Preferred Stock or obtain any applicable regulatory approval to take certain capital actions, including any increases in dividends on our common stock, any repurchases of common stock or any other issuance or redemption of any other regulatory capital instruments;

(20) our ability to receive dividends from our subsidiaries could affect our liquidity, including our ability to pay dividends or take other capital actions;

(21) the risk that further downgrades of U.S. government securities by one or more of the credit ratings agencies could have a material effect on our operations, earnings, and financial condition;

(22) risks related to recent and proposed changes in the mortgage banking industry, including the risk that we may be required to repurchase mortgage loans sold to third parties and the impact of the "ability to pay" and "qualified mortgage" rules on our loan origination process and foreclosure proceedings;

(23) the risk that for our deferred tax assets, we may be required to increase the valuation allowance in future periods, or we may not be able to realize all of the deferred tax assets in the future;

(24) the risk that we could have an "ownership change" under Section 382 of the Code, which could impair our ability to timely and fully utilize our net operating losses and built-in losses that may exist when such "ownership change" occurs;

(25) the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments related thereto;

(26) risks related to the fluctuation in our stock price;

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(27) the effects of any damages to our reputation resulting from developments related to any of the items identified above; and

(28) other factors and other information contained in this Report and in other reports and filings that we make with the SEC under the Exchange Act, including, without limitation, those found in "Part I - Item 1A.- Risk Factors" of Synovus' 2015 Form 10-K.

For a discussion of these and other risks that may cause actual results to differ from expectations, refer to “Part I-Item 1A. Risk Factors” and other information contained in Synovus' 2015 Form 10-K and our other periodic filings, including quarterly reports on Form 10-Q and current reports on Form 8-K, that we file from time to time with the SEC. All written or oral forward-looking statements that are made by or are attributable to Synovus are expressly qualified by this cautionary notice. You should not place undue reliance on any forward-looking statements since those statements speak only as of the date on which the statements are made. Synovus undertakes no obligation to update any forward-looking information and statements, whether written or oral, to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of new information or unanticipated events, except as may otherwise be required by law.

INTRODUCTION AND CORPORATE PROFILE

Synovus Financial Corp. is a financial services company and a registered bank holding company headquartered in Columbus, Georgia. Through its wholly-owned subsidiary, Synovus Bank, member FDIC, the company provides commercial and retail banking in addition to a full suite of specialized products and services including private banking, treasury management, wealth management, and international banking. Synovus also provides mortgage services, financial planning, and investment advisory services through its wholly-owned subsidiaries, Synovus Mortgage, Synovus Trust, and Synovus Securities, as well as its GLOBALT and Creative Financial Group divisions. With the completion of its acquisition of Entaire Global Companies, Inc. on October 1, 2016, the company also provides life insurance premium financing through its Global One division.

Synovus Bank's 28 locally-branded bank divisions are positioned in some of the best markets in the Southeast, with 250 branches and 332 ATMs in Georgia, Alabama, South Carolina, Florida, and Tennessee.

The following financial review summarizes the significant trends, changes in our business, transactions, and other matters affecting Synovus’ results of operations for the nine and three months ended September 30, 2016 and financial condition as of September 30, 2016 and December 31, 2015. This discussion supplements, and should be read in conjunction with, the unaudited interim consolidated financial statements and notes thereto contained elsewhere in this Report and the consolidated financial statements of Synovus, the notes thereto, and management’s discussion and analysis contained in Synovus’ 2015 Form 10-K.

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

Discussion of Results of Operations - Reviews Synovus' financial performance, as well as selected balance sheet items,
items from the statements of income, and certain key ratios that illustrate Synovus' performance.

Credit Quality, Capital Resources and Liquidity - Discusses credit quality, market risk, capital resources, and liquidity,
as well as performance trends. It also includes a discussion of liquidity policies, how Synovus obtains funding, and related
performance.

Additional Disclosures - Comments on additional important matters including critical accounting policies and non-GAAP financial measures used within this Report.

A reading of each section is important to understand fully the nature of our financial performance.

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DISCUSSION OF RESULTS OF OPERATIONS
Consolidated Financial Highlights

	Nine Months Ended September 30,				Three Months Ended September 30,			
(dollars in thousands, except per share data)	2016	2015	Change		2016	2015	Change	
Net interest income	$665,650	614,698	8.3	%	$226,007	207,790	8.8	%
Provision for loan losses	21,741	13,990	55.4		5,671	2,956	91.8	
Non-interest income	199,188	201,746	(1.3)		68,155	67,059	1.6	
Adjusted non-interest income[1]	199,062	199,036	0.01		68,096	67,059	1.5	
Non-interest expense	562,716	534,621	5.3		185,871	177,907	4.5	
Adjusted non-interest expense[1]	545,616	529,162	3.1		183,907	177,475	3.6	
Income before income taxes	280,381	267,833	4.7		102,620	93,986	9.2	
Net income	178,233	167,684	6.3		65,245	57,928	12.6	
Net income available to common shareholders	170,555	160,006	6.6		62,686	55,369	13.2	
Net income per common share, basic	1.36	1.20	13.4		0.51	0.42	21.1	
Net income per common share, diluted	1.36	1.20	13.5		0.51	0.42	21.2	
Net interest margin	3.27 %	3.19	8 bps		3.27 %	3.14	13bps	
Net charge-off ratio (annualized)	0.12	0.15	(3) bps		0.12	0.12	—	

(dollars in thousands, except per share data)	September 30, 2016	June 30, 2016	Sequential Quarter Change	September 30, 2015	Year-Over-Year Change
Loans, net of deferred fees and costs	$23,262,887	23,060,908	201,979	$21,864,309	1,398,578
Total deposits	24,192,003	23,925,922	266,081	22,777,413	1,414,590
Total average deposits	24,030,291	23,608,027	422,264	22,860,019	1,170,272
Average core deposits[1]	22,620,552	22,271,026	349,526	21,502,856	1,117,696
Average core transaction deposit accounts[1]	17,362,060	16,849,367	512,693	16,103,638	1,258,422
Non-performing assets ratio	0.77 %	0.81	(4) bps	1.01 %	(24) bps
Non-performing loans ratio	0.64	0.67	(3) bps	0.72	(8) bps
Past due loans over 90 days	0.02	0.03	(1) bp	0.01	1 bp
Tier 1 capital	$2,620,379	2,627,572	(7,193)	2,637,462	(17,083)
Common equity Tier 1 capital (transitional)	2,596,233	2,616,181	(19,948)	2,637,462	(41,229)
Total risk-based capital	3,139,465	3,146,897	(7,432)	2,990,099	149,366
Tier 1 capital ratio	10.05%	10.06	(1) bp	10.60 %	(55) bps
Common equity Tier 1 capital ratio (transitional)	9.96	10.01	(5) bps	10.60	(64) bps
Total risk-based capital ratio	12.04	12.05	(1) bp	12.02	2 bps
Total shareholders' equity to total assets ratio	9.78	10.02	(24) bps	10.71	(93) bps
Tangible common equity to tangible assets ratio[1]	9.28	9.52	(24) bps	10.18	(90) bps

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

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Results for the Nine and Three Months Ended September 30, 2016

For the nine months ended September 30, 2016, net income available to common shareholders was $170.6 million, or $1.36 per diluted common share, compared to net income available to common shareholders of $160.0 million, or $1.20 per diluted common share, for the nine months ended September 30, 2015. For the three months ended September 30, 2016, net income available to common shareholders was $62.7 million, or $0.51 per diluted common share, compared to net income available to common shareholders of $55.4 million, or $0.42 per diluted common share, for the three months ended September 30, 2015. Adjusted net income available to common shareholders for the three months ended September 30, 2016 was $63.7 million, or $0.52 per diluted common share, compared to adjusted net income available to common shareholders for the three months ended September 30, 2015 of $55.4 million, or $0.42 per diluted common share (excluding the after-tax impact of merger-related expenses, litigation contingency/settlement (recovery) expense, and restructuring charges). See reconciliation of "Non-GAAP Financial Measures" in this Report.

Credit quality trends continue to be favorable with the NPL ratio declining to 0.64% at September 30, 2016 from 0.67% at June 30, 2016, and 0.72% a year ago. ORE balances declined $18.6 million during the first nine months of 2016 to $28.4 million at September 30, 2016. Total non-performing assets were $179.1 million at September 30, 2016, down by $8.3 million, or 4.4%, from the previous quarter, and down $42.9 million, or 19.3%, from a year ago. The NPA ratio declined 4 basis points and was 0.77% at September 30, 2016 compared to 0.81% at June 30, 2016 and 1.01% at September 30, 2015. Net charge-offs for the three months ended September 30, 2016 totaled $6.9 million, or 0.12% of average loans annualized, compared to net charge-offs of $6.1 million, or 0.11% of average loans annualized for the three months ended June 30, 2016 and net charge-offs of $6.8 million, or 0.12% of average loans annualized, for the third quarter of 2015. Net charge-offs for the nine months ended September 30, 2016 totaled $20.4 million, or 0.12% of average loans annualized, compared to net charge-offs of $24.4 million, or 0.15% of average loans annualized for the nine months ended September 30, 2015. Synovus expects its net charge-off ratio for 2016 to be in the lower end of its previous guidance of between 10 and 20 basis points. Provision expense was $5.7 million compared to provision expense of $6.7 million in the prior quarter and $3.0 million during the third quarter a year ago. For the nine months ended September 30, 2016, provision expense was $21.7 million compared to $14.0 million for the same period a year ago. The allowance for loan losses ended the quarter at $253.8 million, or 1.09% of loans, representing a $1.3 million decline compared to the previous quarter and a $2.9 million increase compared to the prior year.

Total revenues were $294.1 million for the three months ended September 30, 2016, up $4.8 million, or 1.6%, sequentially and up 7.0% vs. the same time period in 2015. Net interest income was $226.0 million for the three months ended September 30, 2016, up $4.6 million, or 2.1%, compared to the three months ended June 30, 2016 and up $18.2 million, or 8.8%, compared to the three months ended September 30, 2015. The net interest margin was 3.27%, unchanged from the previous quarter and up 13 basis points from 3.14% for the third quarter of 2015. The yield on earning assets was 3.71% and the effective cost of funds was 0.44% for the third quarter 2016, both of which declined two basis points from the previous quarter. The yield on loans was 4.14%, a decline of one basis point from the prior quarter. The net interest margin for the fourth quarter of 2016 is expected to remain stable versus the third quarter of 2016, given no significant changes in the interest rate environment.

Total non-interest income was $68.2 million for the three months ended September 30, 2016, up $269 thousand, or 0.4% compared to the three months ended June 30, 2016 and up 1.6% vs. the three months ended September 30, 2015. Non-interest expense for the three months ended September 30, 2016 was $185.9 million compared to $177.9 million for the three months ended September 30, 2015. Adjusted non-interest expense was $183.9 million for the three months ended September 30, 2016, up $1.5 million, or 0.8%, compared to the three months ended June 30, 2016 and up $6.4 million, or 3.6%, compared to the three months ended September 30, 2015. Employment expense of $101.9 million was up $4.9 million, or 5.0%, sequentially and up $7.6 million, or 8.1%, compared to the third quarter of 2015 reflecting annual salary increases and higher commissions and incentive compensation. Synovus continued to achieve positive operating leverage which resulted in an improved adjusted efficiency ratio of 60.55% this quarter compared to 61.54% in the second quarter of 2016 and 61.83% in the third quarter of 2015. Synovus remains focused on achieving its long-term goal of an adjusted efficiency ratio below 60%. See reconciliation of "Non-GAAP Financial

Measures" in this Report.

Results for the three months ended September 30, 2016 included restructuring charges of $1.2 million due to additional asset impairment charges of $973 thousand on properties previously identified for disposition as well as a $267 thousand impairment on a branch identified during the third quarter for closure by year-end. For the nine months ended September 30, 2016, Synovus' restructuring charges totaled $8.2 million with $4.8 million related to Synovus' continued corporate real estate optimization activities. Synovus continues to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and identified nine branches for closure during the nine months ended September 30, 2016, with seven of those branches closed as of September 30, 2016. Restructuring charges associated with branch closures identified during 2016 totaled $3.3 million as of September 30, 2016. Synovus' branch network will consist of 248 locations at year-end, which will represent a 23.2% reduction from year-end 2010.

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At September 30, 2016, total loans outstanding were $23.26 billion, a sequential quarter increase of $202.0 million, or 3.5% annualized, and a year-over-year increase of $1.40 billion, or 6.4%. Growth for the quarter, compared to the previous quarter, consisted of retail loan growth of $182.1 million, or 15.7% annualized, and C&I loan growth of $60.6 million, or 2.2% annualized, partially offset by a decline in CRE loans of $42.1 million, or 2.2% annualized, due largely to a selective reduction in construction lending. For the year ending December 31, 2016, Synovus expects loan growth of 6% to 7%, including the acquired Entaire portfolio (as described below) which totaled approximately $357 million as of October 1, 2016.

At September 30, 2016, total deposits were $24.19 billion, up $266.1 million, or 4.4% annualized, compared to the previous quarter and up $1.41 billion, or 6.2%, compared to September 30, 2015. Period-end core deposits excluding SCM deposits as of September 30, 2016 increased $641.0 million, or 12.7% annualized, sequentially and $1.41 billion, or 7.3%, compared to September 30, 2015. During the third quarter of 2016, total average deposits increased $422.3 million, or 7.1% annualized, compared to the second quarter of 2016, and increased $1.17 billion, or 5.1%, compared to the third quarter of 2015. Average core deposits were up $349.5 million, or 6.2% annualized, compared to the previous quarter, and up $1.12 billion, or 5.2%, compared to the third quarter a year ago. Average core transaction deposit accounts increased $512.7 million, or 12.1% annualized, compared to the prior quarter, and were up $1.26 billion, or 7.8%, compared to the third quarter of 2015. The increase in average deposits for the three months ended September 30, 2016 compared to the three months ended June 30, 2016 and September 30, 2015 was due to growth in core transaction deposit accounts, which represent 72.3% of average deposits for the third quarter of 2016 compared to 70.4% a year ago. See reconciliation of “Non-GAAP Financial Measures” in this Report.

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

Effective September 29, 2016, Synovus entered into an accelerated share repurchase (ASR) agreement to repurchase $50 million of Synovus common stock. Upon settlement of the ASR scheduled on or before December 28, 2016, the $300 million share repurchase program will be complete. From inception of the existing $300 million share repurchase program announced in October 2015 through September 30, 2016, Synovus had repurchased $289.4 million of common stock, reducing total share count by 9.7 million shares. Additionally, during the nine months ended September 30, 2016, Synovus declared common stock dividends totaling $0.36 per share, representing a 20% increase from the dividends declared during the same time period of 2015. Total shareholders' equity was $2.91 billion at September 30, 2016, compared to $3.00 billion at December 31, 2015, and $3.02 billion at September 30, 2015.

Recent Developments

On October 1, 2016, Synovus completed its acquisition of Entaire Global Companies, Inc., an Atlanta-based specialty financial services company. Under the terms of the agreement, Synovus acquired Entaire for an up-front payment of $30 million in common stock and cash, with potential additional payments to Entaire's stockholders over the next three to five years based on Entaire's earnings. Entaire is a private life insurance premium finance lender providing fully collateralized, non-mortality-based loans to commercial borrowers. Entaire lends primarily to small businesses, with all loans collateralized by cash value life insurance policies issued by investment grade insurance companies. The integration of Entaire's business operations is expected to be substantially completed by the end of the year.

Changes in Financial Condition

During the nine months ended September 30, 2016, total assets increased $934.4 million from $28.79 billion at December 31, 2015 to $29.73 billion. The principal component of this increase was an increase in loans, net of deferred fees and costs, of $833.3 million. An increase of $949.3 million in deposits provided the funding source for the growth in loans.

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Loans

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

(dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2016 vs. December 31, 2015 % Change[(1)]	September 30, 2015	September 30, 2016 vs. September 30, 2015 % Change
Investment properties	$5,969,466	5,751,631	5.1 %	$5,557,576	7.4 %
1-4 family properties	1,071,054	1,129,156	(6.9)	1,111,758	(3.7)
Land acquisition	425,058	513,981	(23.1)	538,127	(21.0)
Total commercial real estate	7,465,578	7,394,768	1.3	7,207,461	3.6
Commercial, financial and agricultural	6,544,629	6,453,180	1.9	6,260,563	4.5
Owner-occupied	4,471,365	4,318,950	4.7	4,265,409	4.8
Total commercial and industrial	11,015,994	10,772,130	3.0	10,525,972	4.7
Home equity lines	1,638,844	1,689,914	(4.0)	1,684,047	(2.7)
Consumer mortgages	2,243,154	1,938,683	21.0	1,888,456	18.8
Credit cards	232,309	240,851	(4.7)	241,315	(3.7)
Other retail loans	693,204	423,318	85.2	345,425	100.7
Total retail	4,807,511	4,292,766	16.0	4,159,243	15.6
Total loans	23,289,083	22,459,664	4.9	21,892,676	6.4
Deferred fees and costs, net	(26,196)	(30,099)	(17.3)	(28,367)	(7.7)
Total loans, net of deferred fees and costs	$23,262,887	22,429,565	5.0 %	$21,864,309	6.4 %

(1) Percentage changes are annualized

At September 30, 2016, total loans were $23.26 billion, an increase of $833.3 million, or 5.0% annualized, and $1.40 billion or 6.4%, compared to December 31, 2015 and September 30, 2015, respectively.

Commercial Loans

Total commercial loans (which are comprised of C&I and CRE loans) at September 30, 2016 were $18.48 billion, or 79.4% of the total loan portfolio, compared to $18.17 billion, or 80.9%, at December 31, 2015 and $17.73 billion, or 81.1%, at September 30, 2015.

At September 30, 2016 and December 31, 2015, Synovus had 31 and 24 commercial loan relationships, respectively, with total commitments of $50 million or more (including amounts funded). The average funded balance of these relationships at September 30, 2016 and December 31, 2015 was approximately $33 million and $35 million, respectively.

Commercial and Industrial Loans

The C&I portfolio represents the largest category of Synovus' total loan portfolio and is currently concentrated on small to middle market commercial and industrial lending dispersed throughout a diverse group of industries in the Southeast, including health care and social assistance, retail trade, manufacturing, real-estate related industries, finance and insurance, and wholesale trade as shown in the following table (aggregated by NAICS code). The portfolio is relationship focused and, as a result, Synovus' lenders have in-depth knowledge of the borrowers, most of which have guaranty arrangements. C&I loans are originated to commercial customers primarily to finance capital expenditures, including real property, plant and equipment, or as a source of working capital. In accordance with Synovus' lending policy, each loan undergoes a detailed underwriting process which incorporates uniform underwriting standards and oversight in proportion to the size and complexity of the lending relationship. As of September 30, 2016, approximately 93% of Synovus' C&I loans are secured by real estate, business equipment, inventory, and other types of collateral. C&I loans grew $243.9 million, or 3.0% annualized, from December 31, 2015 and $490.0 million, or 4.7%, from September 30, 2015.

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Commercial and Industrial Loans by Industry	September 30, 2016		December 31, 2015	
(dollars in thousands)	Amount	%(1)	Amount	%(1)
Health care and social assistance	$2,382,088	21.6 %	$2,242,852	20.8 %
Retail trade	897,987	8.2	868,834	8.0
Manufacturing	853,697	7.8	880,010	8.1
Real estate and rental and leasing	764,320	6.9	685,310	6.4
Finance and insurance	687,151	6.2	736,492	6.8
Wholesale trade	674,512	6.1	672,167	6.2
Professional, scientific, and technical services	637,231	5.8	628,626	5.8
Real estate other	520,973	4.7	506,328	4.7
Accommodation and food services	481,784	4.4	490,626	4.6
Construction	435,287	4.0	406,287	3.8
Agriculture, forestry, fishing, and hunting	389,270	3.5	394,587	3.7
Transportation and warehousing	342,493	3.1	336,048	3.1
Administration, support, waste management, and remediation	247,242	2.2	211,227	2.0
Information	242,613	2.2	234,893	2.2
Educational services	195,632	1.8	210,656	2.0
Other services	828,900	7.5	859,315	8.0
Other industries	434,814	4.0	407,872	3.8
Total commercial and industrial loans	$11,015,994	100.0%	$10,772,130	100.0%

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

At September 30, 2016, $6.54 billion of C&I loans, or 28.1% of the total loan portfolio, represented loans originated for the purpose of financing commercial, financial, and agricultural business activities. The primary source of repayment on these loans is revenue generated from products or services offered by the business or organization. The secondary source of repayment is the collateral, which consists primarily of equipment, inventory, accounts receivable, time deposits, and other business assets.

At September 30, 2016, $4.47 billion of C&I loans, or 19.2% of the total loan portfolio, represented loans originated for the purpose of financing owner-occupied properties. The primary source of repayment on these loans is revenue generated from products or services offered by the business or organization. The secondary source of repayment on these loans is the collateral. These loans are predominately secured by owner-occupied properties and other real estate, and to a lesser extent, other types of collateral.

Commercial Real Estate Loans

CRE loans consist of investment properties loans, 1-4 family properties loans, and land acquisition loans. These loans are subject to the same uniform lending policies referenced above. CRE loans increased $70.8 million, or 1.3% annualized, from December 31, 2015 and $258.1 million, or 3.6%, from September 30, 2015 driven by growth in investment properties loans partially offset by strategic reductions in residential and land related loans.

Investment Properties Loans

Investment properties loans consist of construction and mortgage loans for income producing properties and are primarily made to finance multi-family properties, hotels, office buildings, shopping centers, warehouses, and other commercial development properties. Total investment properties loans as of September 30, 2016 were $5.97 billion, or 80.0% of the total CRE portfolio and 25.7% of the total loan portfolio, compared to $5.75 billion, or 77.8% of the total CRE portfolio, and 25.6% of the total loan portfolio at December 31, 2015, an increase of $217.8 million, or 5.1% annualized, driven by strong growth in the multi-family and office buildings categories. Synovus' investment properties portfolio is well diversified with no concentration by property type, geography (other than the fact that most of these loans are in Synovus' primary market areas of Georgia, Alabama, Tennessee, South Carolina, and Florida), or tenants. The investment properties loans are primarily secured by the property being financed by the loans; however, these loans may also be secured by real estate or other assets beyond the property being financed.

1-4 Family Properties Loans

1-4 family properties loans include construction loans to homebuilders, commercial mortgage loans to real estate investors, and residential development loans to developers and are almost always secured by the underlying property being financed by such loans. These properties are primarily located in the markets served by Synovus. Construction and residential development loans are generally interest-only loans and typically have maturities of three years or less, and commercial mortgage loans generally have maturities of three to five years, with amortization periods of up to fifteen to twenty years. At September 30, 2016, 1-4 family properties loans totaled $1.07 billion, or 14.3% of the total CRE portfolio and 4.6% of the total loan portfolio, compared to $1.13 billion, or 15.3% of the total CRE portfolio and 5.0% of the total loan portfolio at December 31, 2015.

Land Acquisition Loans

Land acquisition loans are secured by land held for future development, typically in excess of one year. These loans have short-term maturities and are typically unamortized. Land securing these loans is substantially within the Synovus footprint, and loan terms generally include personal guarantees from the principals. Loans in this portfolio are underwritten based on the loan to value of the collateral and the capacity of the guarantor(s). Total land acquisition loans were $425.1 million at September 30, 2016, or 1.8% of the total loan portfolio, a decline of $88.9 million, or 23.1% annualized, from December 31, 2015. Synovus continues to reduce its exposure to these types of loans.

Retail Loans

The retail loan portfolio consists of a wide variety of loan products offered through Synovus' banking network, including first and second residential mortgages, home equity lines, credit card loans, automobile loans, and other retail loans. Additionally, beginning with the third quarter 2015, the retail portfolio includes two consumer-based lending partnerships. The majority of Synovus' retail loans are consumer mortgages and home equity lines secured by first and second liens on residential real estate primarily located in the markets served by Synovus in Georgia, Florida, South Carolina, Alabama, and Tennessee. Substantially all home equity lines, consumer mortgage, and credit card loans are to in-market borrowers with no indirect lending products, which increases opportunities for cross-selling. Retail loans at September 30, 2016 totaled $4.81 billion, representing 20.6% of the total loan portfolio compared to $4.29 billion, or 19.1% of the total loan portfolio at December 31, 2015, and $4.16 billion, or 18.9% of the total loan portfolio at September 30, 2015. Retail loans increased $514.7 million, or 16.0% annualized, from December 31, 2015 and $648.3 million, or 15.6%, from September 30, 2015 as a result of the strategic initiative to diversify the composition of the loan portfolio. Consumer mortgages grew $304.5 million or 21.0% annualized, from December 31, 2015, and $354.7 million, or 18.8%, from September 30, 2015 primarily due to continued recruiting of mortgage loan originators in strategic markets throughout the footprint as well as enhanced origination efforts, which also create additional cross-selling opportunities for other products. Credit card loans totaled $232.3 million at September 30, 2016, including $58.6 million of commercial credit card loans. The commercial credit card loans relate to Synovus' commercial customers who utilize corporate credit cards for various business activities. Other retail loans increased $269.9 million, or 85.2% annualized, from December 31, 2015, and $347.8 million, or 100.7%, from September 30, 2015 primarily due to two consumer-based lending partnerships. One lending partnership, which began near the end of the third quarter of 2015, is a point-of-sale program that provides merchants and contractors nationwide with the ability to offer term financing to their customers for major purchases and home improvement projects. The other lending partnership, which began in the second quarter of 2016, primarily provides qualified borrowers the ability to refinance student loan debt. As of September 30, 2016, these partnerships had combined balances of $352.0 million, and management currently projects that these lending partnerships will not exceed 2-3% of the total loan portfolio in the near term.

Retail loans are subject to uniform lending policies and consist primarily of loans with strong borrower credit scores . Synovus makes retail lending decisions based upon a number of key credit risk determinants including FICO scores as well as bankruptcy predictor scores, loan-to-value, and debt-to-income ratios. Risk levels 1-6 (descending) are assigned to retail loans based upon a risk score matrix. At least annually, the retail loan portfolio data is sent to a consumer credit reporting agency for a refresh of customers' credit scores. The most recent credit score refresh was completed as of June 30, 2016. Management reviews the refreshed scores to monitor the credit risk migration of the retail loan portfolio, which impacts the allowance for loan losses. Revolving lines of credit are regularly reviewed for any material change in financial circumstances, and when appropriate, the line of credit may be suspended. FICO scores within the retail residential real estate portfolio have generally remained stable over the last several years.

At June 30, 2016 and December 31, 2015, weighted-average FICO scores within the residential real estate portfolio were 764 and 769, respectively, for HELOCs and 766 and 759, respectively, for consumer mortgages. Conservative debt-to-income ratios (average HELOC debt to income ratio of loans originated) were maintained in the third quarter of 2016 at 30.8% compared to 30.3% in the third quarter of 2015. HELOC utilization rates (total amount outstanding as a percentage of total available lines) of 58.7% and 60.2% at September 30, 2016 and December 31, 2015, respectively, and loan-to-value ratios based upon prudent guidelines were maintained to ensure consistency with Synovus' overall risk philosophy. At September 30, 2016, 35% of home equity line balances were secured by a first lien, and 65% were secured by a second lien. Apart from credit card loans and unsecured loans, Synovus does not originate loans with LTV ratios greater than 100% at origination except for infrequent situations provided that certain underwriting requirements are met. Additionally, at origination, loan maturities are determined based on the borrower's ability to repay (cash flow or earning power of the borrower that represents the primary source of repayment) and the collateralization of the loan, including the economic life of the asset being pledged. Collateral securing these loans provides a secondary source of repayment in that the collateral may be liquidated. Synovus determines the need for collateral on a case-by-case basis. Factors

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considered include the purpose of the loan, current and prospective credit-worthiness of the customer, terms of the loan, and economic conditions.

Higher-risk consumer loans as defined by the FDIC are consumer loans (excluding consumer loans defined as nontraditional mortgage loans) where, as of the origination date or, if the loan has been refinanced, as of the refinance date, the probability of default within two years is greater than 20%, as determined using a defined historical stress period. These loans are not a part of Synovus' retail lending strategy, and Synovus does not currently offer specific higher-risk consumer loans, alt-A, no documentation or stated income retail residential real estate loan products. Synovus estimates that, as of September 30, 2016, it had $105.3 million of higher-risk consumer loans (2.2% of the retail portfolio and 0.5% of the total loan portfolio) compared to $119.8 million as of September 30, 2015. Included in this amount as of September 30, 2016 is approximately $12 million of accruing TDRs.

Deposits

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

Composition of Average Deposits

	Three Months Ended									
(dollars in thousands)	September 30, 2016	%[1]	June 30, 2016	%[1]	March 31, 2016	%[1]	December 31, 2015	%[1]	September 30, 2015	%[1]
Non-interest bearing demand deposits	$7,042,908	29.3 %	6,930,336	29.4	6,812,223	29.4	6,846,200	29.5	6,541,832	28.6
Interest bearing demand deposits	4,274,117	17.8	4,233,310	17.9	4,198,738	18.1	4,117,116	17.7	3,955,803	17.3
Money market accounts, excluding brokered deposits	7,227,030	30.1	7,082,759	30.0	7,095,778	30.6	7,062,517	30.4	6,893,563	30.2
Savings deposits	797,961	3.3	746,225	3.2	722,172	3.1	692,536	3.0	685,813	3.0
Time deposits, excluding brokered deposits	3,278,536	13.6	3,278,396	13.9	3,286,113	14.1	3,340,794	14.3	3,425,845	15.0
Brokered deposits	1,409,739	5.9	1,337,001	5.6	1,095,239	4.7	1,185,093	5.1	1,357,163	5.9
Total average deposits	$24,030,291	100.0%	23,608,027	100.0	23,210,263	100.0	23,244,256	100.0	22,860,019	100.0
Average core deposits[2]	22,620,552	94.1	22,271,026	94.3	22,115,024	95.3	22,059,163	94.9	21,502,856	94.1
Average core transaction deposit accounts [2]	$17,362,060	72.3 %	16,849,367	71.4	16,536,896	71.2	16,567,179	71.3	16,103,638	70.4

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

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

During the third quarter of 2016, total average deposits increased $422.3 million, or 7.1% annualized, compared to the second quarter of 2016, and increased $1.17 billion, or 5.1%, compared to the third quarter of 2015. Average core deposits were up $349.5 million, or 6.2% annualized, compared to the previous quarter, and up $1.12 billion, or 5.2%, compared to the third quarter a year ago. Average core transaction deposit accounts increased $512.7 million, or 12.1% annualized, compared to the prior quarter, and were up $1.26 billion, or 7.8%, compared to the third quarter of 2015. The increase in average deposits for the three months ended September 30, 2016 compared to the three months ended June 30, 2016 and September 30, 2015 was due to growth in core transaction deposit accounts, which represent 72.3% of average deposits for the third quarter of 2016 compared to 70.4% a year ago. See reconciliation of “Non-GAAP Financial Measures” in this Report.

Period-end core deposits excluding SCM deposits as of September 30, 2016 increased $641.0 million, or 12.7% annualized, sequentially and $1.41 billion, or 7.3%, compared to September 30, 2015. Average non-interest bearing demand deposits as a percentage of total average deposits were 29.3% for the three months ended September 30, 2016, compared to 29.4% for the three

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months ended June 30, 2016, and 28.6% for the three months ended September 30, 2015. See reconciliation of “Non-GAAP Financial Measures” in this Report.

Average time deposits of $100,000 and greater for the three months ended September 30, 2016, June 30, 2016, and September 30, 2015 were $2.80 billion, $2.90 billion, and $3.22 billion, respectively, and included average brokered time deposits of $775.1 million, $885.6 million, and $1.14 billion, respectively. These larger deposits represented 11.7%, 12.3%, and 14.1% of total average deposits for the three months ended September 30, 2016, June 30, 2016, and September 30, 2015, respectively, and included brokered time deposits which represented 3.2%, 3.8%, and 5.0% of total average deposits for the three months ended September 30, 2016, June 30, 2016, and September 30, 2015, respectively. Given the growth in core transaction deposits, Synovus continues to decrease its reliance on higher cost time deposits.

During May 2016, Synovus launched a new bank deposit sweep product, which resulted in the addition of approximately $293 million in deposits from existing customers of Synovus Securities, Synovus’ wholly-owned subsidiary. These customers previously had their cash balances invested in mutual funds with an unaffiliated institution. Synovus’ new product provides added benefits to our customers because it provides FDIC insurance coverage (up to the $250,000 FDIC insurance limit) while also providing a small increase in the rate earned on such deposits. The total aggregate balance of these accounts was approximately $306.1 million as of September 30, 2016. $174.6 million of the sequential quarter increase in average brokered deposits is due to balances from this product. Synovus expects that these balances will remain stable, with gradual increases over time.

During the third quarter of 2016, total average brokered deposits represented 5.9% of Synovus' total average deposits compared to 5.6% and 5.9% of total average deposits the previous quarter and the third quarter a year ago, respectively.

Non-interest Income

Non-interest income for the nine and three months ended September 30, 2016 was $199.2 million and $68.2 million, respectively, compared to $201.7 million and $67.1 million for the nine and three months ended September 30, 2015, respectively. Adjusted non-interest income, which excludes net investment securities gains was up slightly by $26 thousand for the nine months ended September 30, 2016, compared to the same period a year ago, and up $1.0 million, or 1.5%, for the three months ended September 30, 2016 compared to the third quarter of 2015. See reconciliation of "Non-GAAP Financial Measures" in this Report.

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

Non-interest Income	Nine Months Ended September 30,			Three Months Ended September 30,		
(in thousands)	2016	2015	% Change	2016	2015	% Change
Service charges on deposit accounts	$60,772	59,621	1.9 %	$20,822	20,692	0.6 %
Fiduciary and asset management fees	34,691	34,722	(0.1)	11,837	11,308	4.7
Brokerage revenue	20,019	20,978	(4.6)	6,199	6,946	(10.8)
Mortgage banking income	18,755	19,960	(6.0)	7,329	5,965	22.9
Bankcard fees	24,988	24,910	0.3	8,269	8,334	(0.8)
Investment securities gains, net	126	2,710	(95.4)	59	—	nm
Other fee income	15,255	15,371	(0.8)	5,171	5,521	(6.3)
Other non-interest income	24,582	23,474	4.7	8,469	8,293	2.1
Total non-interest income	$199,188	201,746	(1.3)%	$68,155	67,059	1.6 %

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Principal Components of Non-interest Income

Service charges on deposit accounts for the nine and three months ended September 30, 2016 were up $1.2 million, or 1.9%, and up $130 thousand, or 0.6%, respectively, compared to the same time periods in 2015. Service charges on deposit accounts consist of NSF fees, account analysis fees, and all other service charges. NSF fees were $28.0 million and $9.7 million for the nine and three months ended September 30, 2016, respectively, an increase of $516 thousand, or 1.9%, and $75 thousand, or 0.8%, compared to the nine and three months ended September 30, 2015, respectively. The increase for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is primarily due to an increase in overdraft service utilization rates. Additionally, the first quarter included the benefit of one more business day compared to the same time period the prior year. Account analysis fees were $18.2 million and $6.2 million for the nine and three months ended September 30, 2016, respectively, up $812 thousand, or 4.7%, and $145 thousand, or 2.4%, compared to the nine and three months ended September 30, 2015, respectively, largely due to fee increases to align more closely with market rates. All other service charges on deposit accounts, which consist primarily of monthly fees on retail demand deposit and saving accounts, for the nine and three months ended September 30, 2016 were $14.5 million and $4.9 million, respectively, down $175 thousand, or 1.2%, and $91 thousand, or 1.8%, compared to the same periods in 2015, respectively.

Fiduciary and asset management fees are derived from providing estate administration, employee benefit plan administration, personal trust, corporate trust, corporate bond, investment management, and financial planning services. Fiduciary and asset management fees declined slightly by $31 thousand for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. Fiduciary and asset management fees increased $529 thousand, or 4.7%, for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, driven in part by continued growth in assets under management which ended the quarter at $11.31 billion, an increase of $724 million, or 6.8%, from September 30, 2015.

Brokerage revenue, which consists primarily of brokerage commissions, was $20.0 million and $6.2 million for the nine and three months ended September 30, 2016, respectively. Brokerage revenue for the nine months ended September 30, 2016 is $958 thousand, or 4.6%, lower than the nine months ended September 30, 2015 and $747 thousand, or 10.8%, lower in the third quarter of 2016 compared to the same quarter a year ago. The decline is largely driven by market conditions as customers are executing fewer transactions on average.

Mortgage banking income was $18.8 million and $7.3 million for the nine and three months ended September 30, 2016, respectively, compared to $20.0 million and $6.0 million for the same periods in 2015, respectively. The decline in mortgage banking income during the first half of 2016 was primarily due to a decline in refinancing and correspondent volume. The increase in mortgage banking income of $1.4 million during the third quarter of 2016 compared to the second quarter of 2016 reflected a $600 thousand increase in revenues driven by a commensurate increase in production volume, which grew to $193.1 million for the third quarter. Additionally, the third quarter of 2016 includes an $800 thousand benefit from the reduction in mortgage repurchase reserves resulting from a significant reduction in repurchase claims, which totaled only $48 thousand, or 10 claims in total, for the first nine months of the year (the remaining reserve is now $2.3 million).

Bankcard fees totaled $25.0 million and $8.3 million for the nine and three months ended September 30, 2016, respectively, compared to $24.9 million and $8.3 million for the same periods in 2015, respectively. Bankcard fees consist primarily of credit card interchange fees and debit card interchange fees. Debit card interchange fees were $12.8 million, up $413 thousand, or 3.3%, and $4.3 million, up $108 thousand, or 2.6%, for the nine and three months ended September 30, 2016, respectively, compared to the same periods in 2015. Credit card interchange fees were $16.9 million, down $452 thousand, or 2.6%, and $5.7 million, down $91 thousand, or 1.6%, for the nine and three months ended September 30, 2016, respectively, compared to the same periods in 2015.

Other fee income includes fees for letters of credit and unused lines of credit, safe deposit box fees, access fees for automated teller machine use, customer swap dealer fees, and other service charges. Other fee income was lower by $116 thousand, or 0.8%, and $350 thousand, or 6.3%, for the nine and three months ended September 30, 2016, respectively, compared to the same periods in 2015.

The main components of other non-interest income are income from company-owned life insurance policies, insurance commissions, gains from sales of government guaranteed loans, card sponsorship fees, and other miscellaneous items. The increase of $1.1 million and $175 thousand during the nine and three months ended September 30, 2016, respectively, compared to the same time periods in 2015, was driven by growth in insurance revenues. Insurance revenues grew $1.2 million, or 57.5%, and $602 thousand, or 65.4%, during the nine and three months ended September 30, 2016, respectively, compared to the same time periods in 2015, reflecting Synovus' ability to meet additional needs of its financial management services customers. Additionally, the nine months ended September 30, 2016 included a $669 thousand gain from a BOLI death benefit as well as an increase of $711 thousand in company-owned life insurance policy revenue driven by additional investments during 2015. Gains from sales of government guaranteed loans were $2.7 million and $1.3 million for the nine and three months ended September 30, 2016, respectively, compared to $4.0 million and $1.1 million for the nine and three months ended September 30, 2015, respectively.

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Given the timing of loan production for 2016, Synovus expects the gains on sale for this asset class to be lower than the $5.4 million in gains realized in 2015.

Non-interest Expense

Non-interest expense for the nine and three months ended September 30, 2016 was $562.7 million and $185.9 million, respectively, compared to $534.6 million and $177.9 million for the nine and three months ended September 30, 2015, respectively. Adjusted non-interest expense for the nine and three months ended September 30, 2016, which excludes restructuring charges, loss on early extinguishment of debt, litigation settlement/contingency (recovery) expense, merger-related expense, and Visa indemnification charges, increased $16.5 million, or 3.1%, and $6.4 million, or 3.6%, compared to the same periods in 2015, respectively. Synovus expects a low single-digit percent increase in adjusted non-interest expense for the full year. See "Non-GAAP Financial Measures" in this Report for applicable reconciliation.

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

Non-interest Expense

	Nine Months Ended September 30,			Three Months Ended September 30,		
(in thousands)	2016	2015	% Change	2016	2015	% Change
Salaries and other personnel expense	$300,364	285,394	5.2 %	$101,945	94,341	8.1 %
Net occupancy and equipment expense	81,480	79,650	2.3	28,120	26,937	4.4
Third-party processing expense	34,033	31,858	6.8	11,219	10,844	3.5
FDIC insurance and other regulatory fees	20,100	20,315	(1.1)	6,756	6,591	2.5
Professional fees	19,794	18,382	7.7	6,486	6,371	1.8
Advertising expense	15,358	11,797	30.2	5,597	5,488	2.0
Foreclosed real estate expense, net	9,998	18,350	(45.5)	2,725	4,503	(39.5)
Merger-related expense	550	—	nm	550	—	nm
Loss on early extinguishment of debt	4,735	—	nm	—	—	—
Restructuring charges, net	8,225	(33)	nm	1,243	69	nm
Other operating expenses	68,079	68,908	(1.2)	21,230	22,763	(6.7)
Total non-interest expense	$562,716	534,621	5.3 %	$185,871	177,907	4.5 %

Salaries and other personnel expenses increased $15.0 million, or 5.2%, and $7.6 million, or 8.1%, for the nine and three months ended September 30, 2016, respectively, compared to the same periods in 2015, primarily due to annual merit increases and higher commissions and incentive compensation. Synovus continues to maintain an expense discipline on this important component, which reflects a 1.7% reduction in headcount from a year ago. Moreover, Synovus continues to strategically invest in talent and technology that enhance the customer experience and drive revenue growth.

Net occupancy and equipment expense was up $1.8 million, or 2.3%, and $1.2 million, or 4.4%, for the nine and three months ended September 30, 2016, respectively, compared to the same periods in 2015. During the first quarter of 2016, Synovus opened a branch prototype in Jacksonville, Florida which is designed to allow for faster service for routine transactions while providing an enhanced customer experience. This was the third new branch prototype opened since June of last year. Synovus continues to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and identified nine branches for closure during the nine months ended September 30, 2016, with seven of those branches closed as of September 30, 2016. Synovus' branch network will consist of 248 locations at year-end, which will represent a 23.2% reduction from year-end 2010.

Third-party processing expense includes all third-party core operating system and processing charges. Third-party processing expense increased $2.2 million, or 6.8%, and $375 thousand, or 3.5%, for the nine and three months ended

September 30, 2016, respectively, compared to the same periods in 2015, driven by investments in technology and increases in transaction volume.

FDIC insurance and other regulatory fees declined $215 thousand, or 1.1%, and increased $166 thousand, or 2.5%, for the nine and three months ended September 30, 2016, respectively, compared to the same periods in 2015. On March 15, 2016 , the FDIC approved a final rule to increase the DIF to the statutorily required minimum level of 1.35 percent. Congress, in the Dodd-Frank Act, increased the minimum for the DIF reserve ratio, the ratio of the amount in the fund to insured deposits, from 1.15 percent to 1.35 percent and required that the ratio reach that level by September 30, 2020. Further, the Dodd-Frank Act also made banks with $10 billion or more in total assets responsible for the increase from 1.15 percent to 1.35 percent. Under a rule adopted by the FDIC in 2011, regular assessment rates for all banks would decline when the reserve ratio reached 1.15 percent, which occurred during the second quarter of 2016. Banks with total assets of less than $10 billion will have substantially lower assessment rates under the 2011 rule. The final rule imposed on banks with at least $10 billion in assets a surcharge of 4.5 cents per $100 of their assessment base, after making certain adjustments. The FDIC expects the reserve ratio will likely reach 1.35 percent after approximately two years of payments of the surcharges. The final rule became effective on July 1, 2016 with surcharge assessments beginning July 1, 2016. Synovus' third quarter 2016 FDIC insurance cost remained relatively flat to the prior quarter following the surcharge assessment since regular assessment rates declined at the same time the surcharge assessment became effective.

Professional fees for the nine and three months ended September 30, 2016 were up $1.4 million, or 7.7%, and $115 thousand, or 1.8%, respectively, compared to the same periods in 2015, driven by increases in consulting expense.

Advertising expense for the nine and three months ended September 30, 2016 was up $3.6 million and $109 thousand, respectively, compared to the same periods in 2015 as a result of Synovus increasing brand awareness activities. Synovus expects advertising expense for the second half of 2016 to be slightly lower than the first half of 2016 expense of $9.8 million.

Foreclosed real estate expense declined $8.4 million, or 45.5%, and $1.8 million, or 39.5%, for the nine and three months ended September 30, 2016, respectively, compared to the same periods in 2015. ORE balances declined $35.9 million to $28.4 million at September 30, 2016 from $64.3 million a year ago.

Merger-related expense consist of professional fees relating to the October 1, 2016 acquisition of Entaire Global Companies, Inc. See "Note 1 - Significant Accounting Policies" in this Report for more information on the fourth quarter acquisition of Entaire Global Companies, Inc.

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

For the three months ended September 30, 2016, Synovus recorded restructuring charges of $1.2 million due to additional asset impairment charges of $973 thousand on properties previously identified for disposition as well as a $267 thousand impairment on a branch identified during the third quarter for closure by year-end. For the nine months ended September 30, 2016, Synovus' restructuring charges totaled $8.2 million with $4.8 million related to Synovus' continued corporate real estate optimization activities. Synovus continues to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and identified nine branches for closure during the nine months ended September 30, 2016,with seven of those branches closed as of September 30, 2016. Restructuring charges associated with branch closures identified during 2016 totaled $3.3 million as of September 30, 2016.

Other operating expenses for the three months ended September 30, 2016 were reduced by $1.7 million in gains on sales of four properties held for sale. In addition to the $1.7 million in property sale gains recognized during the third quarter, other operating expenses for the nine months ended September 30, 2016 were further reduced by a $2.4 million gain related to the purchase of an additional interest in an existing NPL at a discount that was subsequently paid in full. Other operating expenses also included litigation settlement/contingency (recovery) expense of $2.5 million for the nine months ended September 30, 2016 and $4.4 million for the nine months ended September 30, 2015.

The adjusted efficiency ratio improved to 60.55% this quarter from 61.54% in the second quarter of 2016 and 61.83% in the third quarter of 2015. Synovus remains focused on achieving its long-term goal of an adjusted efficiency ratio below 60%. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Income Tax Expense

Income tax expense was $102.1 million and $37.4 million for the nine and three months ended September 30, 2016, respectively, representing an effective tax rate of 36.4% during the respective periods. For the full year 2016, Synovus expects an effective tax rate in the 36% to 37% range.

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CREDIT QUALITY, CAPITAL RESOURCES AND LIQUIDITY

Credit Quality

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

The table below includes selected credit quality metrics.

Credit Quality Metrics

(dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Non-performing loans	$148,155	168,370	157,640
Impaired loans held for sale[1]	2,473	—	—
Other real estate	28,438	47,030	64,346
Non-performing assets	$179,066	215,400	221,986
Non-performing loans as a % of total loans	0.64 %	0.75	0.72
Non-performing assets as a % of total loans, other loans held for sale, and ORE	0.77	0.96	1.01
Loans 90 days past due and still accruing	$5,358	2,621	2,998
As a % of total loans	0.02 %	0.01	0.01
Total past due loans and still accruing	$61,781	47,912	39,350
As a % of total loans	0.27 %	0.21	0.18
Net charge-offs - Quarter	$6,930	3,425	6,758
Net charge-offs/average loans - Quarter	0.12 %	0.06	0.12
Net charge-offs - Year	$20,420	27,831	24,407
Net charge-offs/average loans - Year	0.12 %	0.13	0.15
Provision for loan losses - Quarter	$5,671	5,021	2,956
Provision for loan losses - Year	21,741	19,010	13,990
Allowance for loan losses	253,817	252,496	250,900
Allowance for loan losses as a % of total loans	1.09 %	1.13	1.15

[1] Represent only impaired loans that have been specifically identified to be sold. Impaired loans held for sale are carried at the lower of cost or fair value, less costs to sell, based primarily on estimated sales proceeds net of selling costs.

Non-performing Assets

Total NPAs were $179.1 million at September 30, 2016, a $36.3 million, or 16.9%, decrease from $215.4 million at December 31, 2015 and a $42.9 million, or 19.3%, decrease from $222.0 million at September 30, 2015. The year-over-year decline in non-performing assets was driven by the continued resolution of problem assets including workouts and dispositions. Total non-performing assets as a percentage of total loans, other loans held for sale, and other real estate were 0.77% at September 30, 2016 compared to 0.96% at December 31, 2015, and 1.01% at September 30, 2015.

Troubled Debt Restructurings

Accruing TDRs were $201.9 million at September 30, 2016, compared to $223.9 million at December 31, 2015 and $240.4 million at September 30, 2015. Accruing TDRs declined $22.0 million, or 9.8%, from December 31, 2015 and $38.5 million, or 16.0%, from a year ago primarily due to lower TDR inflows, fewer TDRs having to retain the TDR designation upon subsequent renewal, refinance, or modification, and pay-offs. Consistent with regulatory guidance, a TDR will generally no longer be reported as a TDR after a period of performance which is generally a minimum of six months and after the loan has been reported as a TDR at a year-end reporting date, and if at the time of the modification, the interest rate was at market, considering the credit risk associated with the borrower.

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At September 30, 2016, the allowance for loan losses allocated to these accruing TDRs was $11.8 million compared to $12.6 million at December 31, 2015 and $16.2 million at September 30, 2015. Accruing TDRs are considered performing because they are performing in accordance with the restructured terms. At both September 30, 2016 and December 31, 2015, 99% of accruing TDRs were current. In addition, subsequent defaults on accruing TDRs (defaults defined as the earlier of the TDR being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments within twelve months of the TDR designation) have remained low, and consisted of only two defaults with a recorded investment of $181 thousand for the nine months ended September 30, 2016 and four defaults with a recorded investment of $593 thousand for the nine months ended September 30, 2015.

Accruing TDRs by Risk Grade	September 30, 2016			December 31, 2015		September 30, 2015	
(dollars in thousands)	Amount	%		Amount	%	Amount	%
Pass	$66,887	33.1	%	75,015	33.5	81,447	33.9
Special Mention	37,259	18.5		40,365	18.0	22,719	9.4
Substandard accruing	97,750	48.4		108,493	48.5	136,204	56.7
Total accruing TDRs	$201,896	100.0	%	223,873	100.0	240,370	100.0

Accruing TDRs Aging by Portfolio Class

	September 30, 2016			
(in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	Total
Investment properties	$33,172	—	—	33,172
1-4 family properties	39,778	—	—	39,778
Land acquisition	14,127	10	—	14,137
Total commercial real estate	87,077	10	—	87,087
Commercial, financial and agricultural	28,145	315	—	28,460
Owner-occupied	53,036	—	—	53,036
Total commercial and industrial	81,181	315	—	81,496
Home equity lines	8,732	—	—	8,732
Consumer mortgages	18,769	861	—	19,630
Credit cards	—	—	—	—
Other retail loans	4,770	181	—	4,951
Total retail	32,271	1,042	—	33,313
Total accruing TDRs	$200,529	1,367	—	201,896

	December 31, 2015			
(in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	Total
Investment properties	$50,913	—	—	50,913
1-4 family properties	43,931	—	—	43,931
Land acquisition	19,929	380	—	20,309
Total commercial real estate	114,773	380	—	115,153
Commercial, financial and agricultural	24,934	592	208	25,734
Owner-occupied	47,141	387	—	47,528
Total commercial and industrial	72,075	979	208	73,262
Home equity lines	9,575	—	—	9,575

Consumer mortgages	20,520	712	—	21,232
Credit cards	—	—	—	—
Other retail loans	4,459	192	—	4,651
Total retail	34,554	904	—	35,458
Total accruing TDRs	$221,402	2,263	208	223,873

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Non-accruing TDRs were $15.4 million at September 30, 2016 compared to $47.4 million at December 31, 2015, a decrease of $32.0 million, or 67.5%. Non-accruing TDRs may generally be returned to accrual status if there has been a period of performance, consisting usually of at least a six month sustained period of repayment performance in accordance with the terms of the agreement.

Potential Problem Loans

Potential problem loans are defined by management as being certain performing loans with a well-defined weakness where there is known information about possible credit problems of borrowers which causes management to have concerns about the ability of such borrowers to comply with the present repayment terms of such loans. Potential problem commercial loans consist of commercial Substandard accruing loans but exclude loans 90 days past due and still accruing interest and accruing TDRs classified as Substandard since these loans are disclosed separately. Potential problem commercial loans were $172.5 million at September 30, 2016 compared to $181.0 million and $205.7 million at December 31, 2015 and September 30, 2015, respectively. Synovus cannot predict at this time whether these potential problem loans ultimately will become non-performing loans or result in losses.

Net Charge-offs

Net charge-offs for the nine months ended September 30, 2016 were 20.4 million, or 0.12% as a percentage of average loans annualized, a decrease of $4.0 million, or 16.3%, compared to $24.4 million, or 0.15%, as a percentage of average loans annualized for the nine months ended September 30, 2015. The decline in net charge-offs was driven by fewer dispositions of distressed loans and lower impairment charge-offs on existing collateral dependent impaired loans.

Provision for Loan Losses and Allowance for Loan Losses

For the nine months ended September 30, 2016, the provision for loan losses was $21.7 million, an increase of $7.8 million, or 55.4%, compared to the nine months ended September 30, 2015. The increase was due to growth in loans outstanding, movement towards expected normalization of provision expense levels, as well as the continued stabilization of the allowance for loan loss factors.

The allowance for loan losses at September 30, 2016 was $253.8 million, or 1.09% of total loans, compared to $252.5 million, or 1.13% of total loans, at December 31, 2015 and $250.9 million, or 1.15% of total loans, at September 30, 2015, reflecting an improvement in the overall risk profile of the loan portfolio.

Capital Resources

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

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

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Capital Ratios

(dollars in thousands)	September 30, 2016		December 31, 2015
Tier 1 capital			
Synovus Financial Corp.	$2,620,379		2,660,016
Synovus Bank	3,166,994		3,136,132
Common equity Tier 1 capital (transitional)			
Synovus Financial Corp.	2,596,233		2,660,016
Synovus Bank	3,166,994		3,136,132
Total risk-based capital			
Synovus Financial Corp.	3,139,465		3,255,758
Synovus Bank	3,432,314		3,390,764
Tier 1 capital ratio			
Synovus Financial Corp.	10.05	%	10.37
Synovus Bank	12.16		12.25
Common equity Tier 1 ratio (transitional)			
Synovus Financial Corp.	9.96		10.37
Synovus Bank	12.16		12.25
Total risk-based capital to risk-weighted assets ratio			
Synovus Financial Corp.	12.04		12.70
Synovus Bank	13.15		13.25
Leverage ratio			
Synovus Financial Corp.	8.98		9.43
Synovus Bank	10.88		11.15
Tangible common equity to tangible assets ratio (1)			
Synovus Financial Corp.	9.28		9.90

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

The Basel III rules became effective January 1, 2015 for Synovus and Synovus Bank, subject to a transition period for several aspects, including the capital conservation buffer and certain regulatory capital adjustments and deductions, as described below. Under the Basel III capital rules, the minimum capital requirements for Synovus and Synovus Bank include a common equity Tier 1 (CET1) ratio of 4.5%; Tier 1 capital ratio of 6%; total capital ratio of 8%; and leverage ratio of 4%. When fully phased-in on January 1, 2019, the Basel III capital rules include a capital conservation buffer of 2.5% that is added on top of each of the minimum risk-based capital ratios. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased-in over a three-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

As a financial holding company, Synovus and its subsidiary bank, Synovus Bank, are required to maintain capital levels required for a well-capitalized institution as defined by federal banking regulations. Under the Basel III capital rules, Synovus and Synovus Bank are well-capitalized if each has a CET1 ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a total risk-based capital ratio of 10% or greater, a leverage ratio of 5% or greater, and are not subject to any written agreement, order, capital directive, or prompt corrective action directive from a federal and/or state banking regulatory agency to meet and maintain a specific capital level for any capital measure.

During the third quarter of 2015, Synovus' Board of Directors authorized a $300 million share repurchase program to be completed over the next 15 months. As of September 30, 2016, Synovus had repurchased a total of $289.4 million or 9.7 million shares under the $300 million share repurchase program through a combination of share repurchases under an accelerated share repurchase (ASR) agreement and open market transactions. Synovus entered into an (ASR) agreement on September 29, 2016 to repurchase the final $50.0 million of Synovus common stock, under the share repurchase program, and repurchased 1.2 million shares at an initial average price of $31.87. The remaining shares under the ASR agreement will be repurchased upon settlement of the ASR agreement on or before December 28,

2016. Share repurchases under the program by quarter are as follows: third quarter of 2016 -$80.9 million (2.6 million shares), second quarter of 2016 - $60.5 million (2.0 million shares), first quarter of 2016 - $110.9 million (3.9 million shares), and fourth quarter of 2015 - $37.1 million (1.2 million shares). During the third quarter of 2015, Synovus completed its $250 million share repurchase program which was announced on October 21, 2014 and expired on October 23, 2015. Under this program, Synovus repurchased 9.1 million shares of common stock through a combination of share repurchases under an (ASR) agreement and open market transactions.

On December 7, 2015, Synovus issued in a public offering $250 million aggregate principal amount of subordinated notes due in 2025, for aggregate proceeds of $246.6 million, net of debt issuance costs. Also during the fourth quarter of 2015, Synovus

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repurchased $46.7 million of its 2017 subordinated notes in privately negotiated transactions which resulted in a pre-tax loss of $1.5 million. Additionally, during January 2016, Synovus repurchased $124.7 million of the 2017 subordinated notes in conjunction with Synovus' cash tender offer that commenced on December 23, 2015 and expired on January 22, 2016. Results for the nine months ended September 30, 2016 included a $4.7 million pre-tax loss relating to the January tender offer.

As of September 30, 2016, total disallowed deferred tax assets were $249.9 million compared to $341.1 million at December 31, 2015. Disallowed deferred tax assets for the new Basel III ratio, CET1, were $136.1 million at September 30, 2016 and $215.5 million at December 31, 2015, due to a three-year phase-in of the total disallowed deferred tax asset for the CET1 capital measure. Synovus' deferred tax asset is projected to continue to decline, thus creating additional regulatory capital in future periods.

Synovus' CET1 ratio was 9.96% at September 30, 2016 under Basel III transitional provisions and the estimated fully phased-in CET1 ratio, as of September 30, 2016, was 9.48%, both of which are well in excess of the regulatory requirements prescribed by Basel III. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Management currently believes, based on internal capital analyses and earnings projections, that Synovus' capital position is adequate to meet current and future regulatory minimum capital requirements. Synovus' 2016 DFAST results show that capital ratios remain above regulatory minimums throughout the forecast period in the severely adverse scenario. Synovus expects to announce its 2017 capital plan in January of 2017.

Dividends

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

Synovus' ability to pay dividends on its capital stock, consisting of the common stock and the Series C Preferred Stock, is primarily dependent upon dividends and distributions that it receives from its bank and non-banking subsidiaries, which are restricted by various regulations administered by federal and state bank regulatory authorities, as further discussed below in the section titled "Liquidity." During the nine months ended September 30, 2016, Synovus Bank paid upstream cash dividends of $260.0 million to Synovus, and during the year ended December 31, 2015, Synovus Bank made upstream cash distributions to Synovus totaling $225.0 million including cash dividends of $199.9 million.

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Synovus declared dividends of $0.36 and $0.30 per common share for the nine months ended September 30, 2016 and September 30, 2015, respectively. In addition to dividends paid on its common stock, Synovus paid dividends of $7.7 million on its Series C Preferred Stock during both the nine months ended September 30, 2016 and September 30, 2015.

Liquidity

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

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

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

Synovus Bank also generates liquidity through the national deposit markets through the issuance of brokered certificates of deposit and money market accounts. Synovus Bank accesses these funds from a broad geographic base to diversify its sources of funding and liquidity. Synovus Bank has the capacity to access funding through its membership in the FHLB System. At September 30, 2016, based on currently pledged collateral, Synovus Bank had access to incremental funding of $770 million, subject to FHLB credit policies, through utilization of FHLB advances.

In addition to bank level liquidity management, Synovus must manage liquidity at the Parent Company for various operating needs including potential capital infusions into subsidiaries, the servicing of debt, the payment of dividends on our common stock and preferred stock, share repurchases and payment of general corporate expenses. The primary source of liquidity for Synovus consists of dividends from Synovus Bank, which is governed by certain rules and regulations of the GA DBF and FDIC. During the nine months ended September 30, 2016, Synovus Bank paid upstream cash dividends of $260.0 million to the Parent Company and during the year ended December 31, 2015, Synovus Bank made upstream cash distributions to the Parent Company totaling $225.0 million including cash dividends of $199.9 million. Synovus' ability to receive dividends from Synovus Bank in future periods will depend on a number of factors, including, without limitation, Synovus Bank's future profits, asset quality, liquidity and overall condition. In addition, GA DBF rules and related statutes contain limitations on payments of dividends by Synovus Bank without the approval of the GA DBF.

On December 7, 2015, Synovus issued in a public offering $250 million aggregate principal amount of subordinated debt due in 2025, for aggregate proceeds of $246.6 million, net of debt issuance costs. Also during the fourth quarter of 2015, Synovus repurchased $46.7 million of its subordinated notes maturing in 2017 in privately negotiated transactions which resulted in a pre-tax loss of $1.5 million. Additionally, during January 2016, Synovus repurchased $124.7 million of its subordinated notes maturing in 2017 in conjunction with Synovus' cash tender offer that commenced on December 23, 2015 and expired on January 22, 2016. Results for the nine months ended September 30, 2016 included a $4.7 million pre-tax loss relating to the January tender offer.

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

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Earning Assets and Sources of Funds

Average total assets for the nine months ended September 30, 2016 increased $1.32 billion, or 4.7%, to $29.24 billion as compared to $27.92 billion for the first nine months of 2015. Average earning assets increased $1.46 billion, or 5.7%, in the first nine months of 2016 compared to the same period in 2015 and represented 93.2% of average total assets at September 30, 2016, as compared to 92.4% at September 30, 2015. The increase in average earning assets resulted from a $1.55 billion increase in average loans, net, and a $352.9 million increase in average taxable investment securities. These increases were partially offset by a $439.7 million decrease in interest bearing funds held at the Federal Reserve Bank. Average interest bearing liabilities increased $829.4 million, or 4.5%, to $19.16 billion for the first nine months of 2016 compared to the same period in 2015. The increase in interest bearing liabilities was driven by a $609.4 million increase in money market deposit accounts (excluding brokered deposits), a $343.1 million increase in interest bearing demand deposits, and a $100.4 million increase in average long term debt. These increases were partially offset by a $220.6 million decrease in brokered deposits. Average non-interest bearing demand deposits increased $565.1 million, or 8.9%, to $6.93 billion for the first nine months of 2016 compared to the same period in 2015.

Net interest income for the nine months ended September 30, 2016 was $665.7 million, an increase of $51.0 million, or 8.3%, compared to $614.7 million for the nine months ended September 30, 2015.

The net interest margin for the nine months ended September 30, 2016 was 3.27%, up 8 basis points from 3.19% for the nine months ended September 30, 2015. Earning asset yields increased by 7 basis points compared to the nine months ended September 30, 2015 and the effective cost of funds decreased 1 basis point.

On a sequential quarter basis, net interest income increased by $4.6 million while the net interest margin was unchanged. The increase in net interest income for the third quarter was due to a $320.2 million increase in average earning assets driven by a $204.2 million increase in average loans, net and a $92.8 million increase in average interest bearing funds held at the Federal Reserve Bank. The yield on earning assets was 3.71% and the effective cost of funds was 0.44% for the third quarter 2016, both down 2 basis points from the second quarter 2016.

The net interest margin for the fourth quarter of 2016 is expected to remain stable versus the third quarter of 2016, given no significant changes in the interest rate environment.

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

Average Balances, Interest, and Yields (dollars in thousands) (yields and rates annualized)	2016 Third Quarter		Second Quarter	First Quarter	2015 Fourth Quarter	Third Quarter
Interest Earning Assets:						
Taxable investment securities [1]	$3,544,933		3,529,030	3,537,131	3,481,184	3,380,543
Yield	1.83	%	1.89	1.91	1.85	1.76
Tax-exempt investment securities[1][3]	$2,943		3,491	4,091	4,352	4,509
Yield (taxable equivalent) [3]	5.96	%	6.08	6.37	6.16	6.21
Trading account assets	$5,493		3,803	5,216	8,067	7,278
Yield	0.93	%	1.27	1.65	2.24	1.84
Commercial loans[2][3]	$18,419,484		18,433,638	18,253,169	17,884,661	17,522,735
Yield	4.03	%	4.04	4.03	3.97	3.99
Consumer loans[2]	$4,720,082		4,497,147	4,334,817	4,233,061	4,105,639
Yield	4.30	%	4.32	4.37	4.27	4.31
Allowance for loan losses	$(255,675)		(251,101)	(258,097)	(252,049)	(256,102)
Loans, net [2]	$22,883,891		22,679,684	22,329,889	21,865,673	21,372,272
Yield	4.14	%	4.15	4.15	4.08	4.10
Mortgage loans held for sale	$87,524		72,477	63,339	50,668	69,438
Yield	3.32	%	3.59	3.72	3.84	3.82
Federal funds sold, due from Federal Reserve Bank, and other short-term investments	$998,565		907,614	885,938	1,081,604	1,380,686
Yield	0.48	%	0.47	0.47	0.27	0.24
Federal Home Loan Bank and Federal Reserve Bank Stock[4]	$70,570		77,571	80,679	66,790	71,852
Yield	4.99	%	5.15	3.82	5.08	4.71
Total interest earning assets	$27,593,919		27,273,670	26,906,283	26,558,338	26,286,578
Yield	3.71	%	3.73	3.73	3.63	3.60
Interest Bearing Liabilities:						
Interest bearing demand deposits	$4,274,117		4,233,310	4,198,738	4,117,116	3,955,803
Rate	0.16	%	0.18	0.17	0.17	0.18
Money Market accounts	$7,227,030		7,082,759	7,095,778	7,062,517	6,893,563
Rate	0.29	%	0.31	0.32	0.35	0.36
Savings deposits	$797,961		746,225	722,172	692,536	685,813
Rate	0.07	%	0.06	0.07	0.06	0.06
Time deposits under $100,000	$1,248,294		1,262,280	1,279,811	1,307,601	1,338,994
Rate	0.64	%	0.64	0.65	0.65	0.66
Time deposits over $100,000	$2,030,242		2,016,116	2,006,302	2,033,193	2,086,851
Rate	0.88	%	0.89	0.89	0.88	0.88
Non-maturing brokered deposits	$634,596		451,398	315,006	297,925	221,817
Rate	0.29	%	0.39	0.48	0.31	0.31
Brokered time deposits	$775,143		885,603	780,233	887,168	1,135,346
Rate	0.88	%	0.85	0.83	0.76	0.71
Total interest bearing deposits	$16,987,383		16,677,691	16,398,040	16,398,056	16,318,187
Rate	0.37	%	0.39	0.39	0.40	0.42
Federal funds purchased and securities sold under repurchase agreements	$247,378		221,276	$177,921	158,810	207,894

Rate	0.09 %	0.09	0.10	0.08	0.09
Long-term debt	$2,114,193	2,279,043	2,361,973	2,007,924	2,072,455
Rate	2.71 %	2.55	2.55	2.63	2.51
Total interest bearing liabilities	$19,348,954	19,178,010	18,937,934	18,564,790	18,598,536

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Rate	0.63	0.65 %	0.66	0.65	0.65
Non-interest bearing demand deposits	$7,042,908	6,930,336	6,812,223	6,846,200	6,541,832
Effective cost of funds	0.44	0.46 %	0.46	0.45	0.46
Net interest margin	3.27	3.27 %	3.27	3.18	3.14
Taxable equivalent adjustment (3)	$330	329	305	311	315

(1) Excludes net unrealized gains and (losses).
(2) Average loans are shown net of deferred fees and costs. Non-performing loans are included.
(3) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35%, in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.
(4)Included as a component of Other Assets on the balance sheet.

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Net Interest Income and Rate/Volume Analysis

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

Net Interest Income and Rate/Volume Analysis

	Nine Months Ended September 30,						2016 Compared to 2015		
	Average Balances		Interest		Annualized Yield/Rate		Change due to		Increase (Decrease)
(dollars in thousands)	2016	2015	2016	2015	2016	2015	Volume	Rate	
Assets									
Interest earning assets:									
Taxable investment securities	$3,537,060	3,182,950	$49,820	42,901	1.88%	1.80	$4,772	2,147	$ 6,919
Tax-exempt investment securities(2)	3,506	4,689	162	218	6.16	6.19	(55)	(1)	(56)
Total investment securities	3,540,566	3,187,639	49,982	43,119	1.88	1.80	4,717	2,146	6,863
Trading account assets	4,840	11,318	46	258	1.28	3.03	(147)	(65)	(212)
Taxable loans, net(1)	22,812,346	21,266,232	698,657	651,103	4.09	4.09	47,341	212	47,553
Tax-exempt loans, net(1)(2)	74,691	74,843	2,591	2,622	4.63	4.68	(5)	(26)	(31)
Allowance for loan losses	(254,960)	(255,812)							
Loans, net	22,632,077	21,085,263	701,248	653,725	4.14	4.15	47,336	186	47,522
Mortgage loans held for sale	74,494	74,806	1,966	2,060	3.52	3.67	(8)	(86)	(94)
Federal funds sold, due from Federal Reserve Bank, and other short-term investments	930,954	1,365,627	3,343	2,476	0.48	0.24	(749)	1,617	868
Federal Home Loan Bank and Federal Reserve Bank stock	76,252	76,219	2,649	2,503	4.63	4.38	1	143	144
Total interest earning assets	$27,259,183	25,800,872	$759,234	704,141	3.72%	3.65	$51,150	3,941	$ 55,091
Cash and due from banks	400,222	410,417							
Premises and equipment, net	434,889	451,092							
Other real estate	39,282	74,230							
Other assets(3)	1,103,504	1,182,989							
Total assets	$29,237,080	27,919,600							
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand deposits	$4,235,529	3,892,462	$5,420	5,327	0.17%	0.18%	$463	(370)	$ 93
Money market accounts	7,603,136	6,722,767	17,620	17,272	0.31	0.34	2,241	(1,893)	348

Savings deposits	755,608	670,356	366	279	0.06	0.06	38	49	87
Time deposits	4,094,525	4,668,925	24,666	25,981	0.80	0.74	(3,182)	1,867	(1,315)
Federal funds purchased and securities sold under repurchase agreements	215,641	220,973	154	134	0.09	0.08	(3)	23	20
Long-term debt	2,251,235	2,150,841	44,394	39,457	2.59	2.45	1,857	3,081	4,938
Total interest-bearing liabilities	$19,155,674	18,326,324	$92,620	88,450	0.64	0.64	$1,414	2,757	$4,171
Non-interest bearing deposits	6,928,906	6,363,773							
Other liabilities	203,989	210,649							
Shareholders' equity	2,948,511	3,018,854							
Total liabilities and equity	$29,237,080	27,919,600							
Interest rate spread:									
Net interest income - FTE/margin(4)			666,614	615,691	3.27%	3.19	$49,736	1,184	$ 50,920
Taxable equivalent adjustment			964	993					
Net interest income, actual			$665,650	614,698					

(1) Average loans are shown net of unearned income. Non-performing loans are included. Interest income includes fees as follows: 2016 - $23.4 million, 2015 - $22.7 million.
(2) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35% in adjusting interest on tax-exempt loans and investment securities to a taxable-
equivalent basis.
(3) Includes average net unrealized gains on investment securities available for sale of $35.7 million and $20.8 million for the nine months ended September 30, 2016 and
2015, respectively.
(4) The net interest margin is calculated by dividing annualized net interest income - FTE by average total interest earnings assets.

Market Risk Analysis

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

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

Estimated % Change in Net Interest Income as Compared to Unchanged Rates (for the next twelve months)

Change in Short-term Interest Rates (in basis points)	September 30, 2016	December 31, 2015
+200	5.6%	6.4%
+100	3.1%	3.8%
Flat	—%	—%
-25	-2.2%	-2.6%

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

	As of September 30, 2016	
Change in Short-term Interest Rates (in basis points)	Base Scenario	15% Increase in Average Repricing Beta
+200	5.6%	3.8%
+100	3.1%	2.2%

The net interest income simulation model is the primary tool utilized to evaluate potential interest rate risks over a shorter term time horizon. Synovus also evaluates potential longer term interest rate risk through modeling and evaluation of EVE. Simulation modeling is utilized to measure the economic value of equity and its sensitivity to immediate changes in interest rates. These simulations value only the current balance sheet and do not incorporate growth assumptions used in the net interest income simulation. The economic value of equity is the net fair value of assets, liabilities, and off-balance sheet financial instruments derived from the present value of future cash flows discounted at current market interest rates. From this baseline valuation, Synovus evaluates changes in the value of each of these items in various interest rate scenarios to determine the net impact on the economic value of equity. Key assumptions utilized in the model, namely loan prepayments, investment security prepayments, deposit repricing betas, and non-maturity deposit duration have a significant impact on the results of the EVE simulations. As illustrated in the table below, the economic value of equity model indicates that, compared with a valuation assuming stable rates, EVE is projected to increase by 5.6% and 6.3%, assuming an immediate and sustained increase in interest rates of 100 and 200 basis points, respectively. Assuming an immediate 25 basis point decline in rates, EVE is projected to decrease by 3.9%

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Immediate Change in Interest Rates (in basis points)	Estimated Change in EVE	
	September 30, 2016	December 31, 2015
+200	6.3%	3.2%
+100	5.6%	3.4%
-25	-3.9%	-3.5%

ADDITIONAL DISCLOSURES

Recently Issued Accounting Standards

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

ASU 2016-15, Statement of Cash Flows-Classification of Certain Cash Receipts and Cash Payments

On August 26, 2016, the FASB issued new guidance that is intended to address diversity in practice of how certain cash receipts and cash payments are currently presented and classified in the statement of cash flows. The amendments of the ASU add or clarify guidance on eight cash flow issues:

- Debt prepayment or debt extinguishment costs.
- Settlements of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.
- Contingent consideration payments made after a business combination.
- Proceeds from the settlement of insurance claims.
- Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies.
- Distributions received from equity method investees.
- Beneficial interests in securitization transactions.
- Separately identifiable cash flows and application of the predominance principle.

The ASU describes a predominance principle in which cash flows with aspects of more than one class of cash flows that cannot be separated are classified in the statement of cash flows based on the activity that is likely to be the predominant source or use of cash flow (if first there is no relevant guidance in the Accounting Standards Codification). The new guidance also clarifies the classification of debt prepayment or debt extinguishment costs and beneficial interests in securitization transactions. This perhaps may likely be the greatest change to current practice. Currently, many entities classify debt prepayment and extinguishment costs as operating cash outflows because the payment factors into the determination of net income. Similarly, many entities classify payments received from beneficial interests on securitized trade receivables as operating cash inflows based on the trade receivables that underlie the cash flows. ASU 2016-15 requires that cash paid for debt prepayment or debt extinguishment costs to be classified as a financing outflow and cash received from beneficial interests on securitized trade receivables to be classified as an investing inflow.

ASU 2016-15 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The guidance will have to be applied retrospectively to all periods presented but may be applied prospectively from the earliest date practicable if retrospective application would be impracticable. Management is currently evaluating the requirements of the new accounting standards to determine the impact on its consolidated financial statements.

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

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

ASU 2016-09, Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting. In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for employee share-based payment

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

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

ASU 2016-01, Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. In January 2016, the FASB issued ASU 2016-01, which amends the guidance on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity’s accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. The ASU provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The ASU also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. Because companies must recognize changes in the measurement of equity investments in net income, income volatility will potentially increase, but changes in credit risk will not affect earnings when the fair value option is elected. The new standard will be effective for Synovus for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of the ASU on Synovus’ consolidated financial statements.

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

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

This proposal represents a one-year deferral from the original effective date.
The proposed new effective date guidance will allow early adoption for all entities (i.e., both public business entities and other entities) as of the original effective date for public business entities, which was annual reporting periods beginning after December 15, 2016, and the interim periods within that year.
Management is currently evaluating the impact of this ASU on Synovus' consolidated financial statements. The standard is expected to potentially impact ORE sales, interchange revenue, credit card loyalty programs, asset management fees, treasury management services revenue, and miscellaneous fees; however, the overall financial statement impact for Synovus is not expected to be significant. Extensive new disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and information about key judgments and estimates and policy decisions regarding revenue recognition.
See Note 1 of the notes to the unaudited interim consolidated financial statements for a discussion of recently adopted accounting standards updates.

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Critical Accounting Policies

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

Non-GAAP Financial Measures

The measures entitled adjusted non-interest income; adjusted non-interest expense; adjusted net income; adjusted net income per common share, diluted; adjusted efficiency ratio; average core deposits; average core transaction deposit accounts; core deposits excluding state, county, and municipal deposits; Tangible Common Equity ratio; and common equity Tier 1 (CET1) ratio (fully phased-in) are not measures recognized under GAAP and therefore are considered non-GAAP financial measures. The most comparable GAAP measures to these measures are total non-interest income; total non-interest expense; net income available to common shareholders; net income per common share, diluted; efficiency ratio; total deposits; and the ratio of total equity to total assets, respectively.

Management uses these non-GAAP financial measures to assess the performance of Synovus’ business and the strength of its capital position. Synovus believes that these non-GAAP financial measures provide meaningful additional information about Synovus to assist management, investors, and bank regulators in evaluating Synovus’ operating results, financial strength and capitalization and to permit investors to assess the performance of Synovus on the same basis as that used by management. The non-GAAP financial measures should be considered as additional views of the way our financial measures are affected by significant items and other factors. Adjusted non-interest income is a measure used by management to evaluate non-interest income exclusive of net investment securities gains. Adjusted non-interest expense and the adjusted efficiency ratio are measures utilized by management to measure the success of expense management initiatives focused on reducing recurring controllable operating costs. Adjusted net income and adjusted net income per common share, diluted are measures used by management to evaluate operating results exclusive of items that are not indicative of ongoing operations and impact period-to-period comparisons. Average core deposits, average core transaction deposit accounts, and core deposits excluding state, county, and municipal deposits are measures used by management to evaluate organic growth of deposits and the quality of deposits as a funding source. The Tangible Common Equity ratio and common equity Tier 1 (CET1) ratio (fully phased-in) are used by management and bank regulators to assess the strength of our capital position. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of these measures are set forth in the tables below.

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Reconciliation of Non-GAAP Financial Measures

(in thousands)	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015
Adjusted Non-interest Income				
Total non-interest income	$199,188	201,746	68,155	67,059
Subtract: Investment securities gains, net	(126)	(2,710)	(59)	—
Adjusted non-interest income	$199,062	199,036	68,096	67,059
Adjusted Non-interest Expense				
Total non-interest expense	$562,716	534,621	185,871	177,907
Subtract: Restructuring charges	(8,225)	33	(1,243)	(69)
Subtract: Visa indemnification charges	(1,079)	(1,092)	(360)	(363)
Add/(subtract): Litigation contingency/settlement recovery (expense)	(2,511)	(4,400)	189	—
Subtract: Loss on early extinguishment of debt	(4,735)	—	—	—
Subtract: Merger-related expense	(550)	—	(550)	—
Adjusted non-interest expense	$545,616	529,162	183,907	177,475

(in thousands)	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	Three Months Ended September 30, 2015
Adjusted Net Income and Adjusted Net Income Per Common Share, Diluted			
Net income available to common shareholders	$62,686	57,898	55,369
(Subtract) Add: Litigation contingency/settlement (recovery) expense	(189)	—	—
Add: Restructuring charges	1,243	5,841	69
Add: Merger-related expense	550	—	—
Subtract: Tax effect of adjustments	(587)	(2,138)	(25)
Adjusted net income	$63,703	61,601	$ 55,413
Weighted average common shares outstanding - diluted	123,604	125,699	132,297
Adjusted net income per common share, diluted	$0.52	0.49	0.42
Adjusted Efficiency Ratio			
Adjusted non-interest expense	$183,907	182,410	177,475
Subtract: Foreclosed real estate expense	(2,725)	(4,588)	(4,503)
Subtract: Other credit costs	(2,913)	445	(2,842)
Adjusted non-interest expense excluding credit costs	$178,269	178,267	170,130
Net interest income	$226,007	221,449	207,790
Add: Tax equivalent adjustment	330	329	315
Total non-interest income	68,155	67,886	67,059
Subtract: Investment securities gains, net	(59)	—	—
Total adjusted revenues	$294,433	289,664	275,164
Adjusted efficiency ratio	60.55 %	61.54 %	61.83 %

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Reconciliation of Non-GAAP Financial Measures, continued	Three Months Ended				
(dollars in thousands)	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Average Core Deposits and Average Core Transaction Deposit Accounts					
Average total deposits	$24,030,291	23,608,027	23,210,263	23,244,256	22,860,019
Subtract: Average brokered deposits	(1,409,739)	(1,337,001)	(1,095,239)	(1,185,093)	(1,357,163)
Average core deposits	22,620,552	22,271,026	22,115,024	22,059,163	21,502,856
Subtract: Average total SCM deposits	(2,105,126)	(2,280,038)	(2,440,749)	(2,303,278)	(2,124,812)
Subtract: Average time deposits excluding SCM deposits	(3,153,366)	(3,141,621)	(3,137,379)	(3,188,706)	(3,274,406)
Average core transaction deposit accounts	$17,362,060	16,849,367	16,536,896	16,567,179	16,103,638
Core Deposits and Core Deposits Excluding State, County, and Municipal Deposits					
Total deposits	$24,192,003	23,925,922			22,777,413
Subtract: Brokered deposits	(1,315,348)	(1,496,161)			(1,245,798)
Core deposits	22,876,655	22,429,761			21,531,615
Subtract: State, county, and municipal deposits	(2,100,756)	(2,294,898)			(2,165,710)
Core deposits excluding state, county, and municipal deposits	$20,775,899	20,134,863			19,365,905
Tangible Common Equity Ratio					
Total assets	$29,727,096	29,459,691	29,171,257	28,792,653	28,167,827
Subtract: Goodwill	(24,431)	(24,431)	(24,431)	(24,431)	(24,431)
Subtract: Other intangible assets, net	(225)	(228)	(277)	(471)	(667)
Tangible assets	$29,702,440	29,435,032	29,146,549	28,767,751	28,142,729
Total shareholders' equity	$2,906,659	2,951,659	2,953,268	3,000,196	3,017,116
Subtract: Goodwill	(24,431)	(24,431)	(24,431)	(24,431)	(24,431)
Subtract: Other intangible assets, net	(225)	(228)	(277)	(471)	(667)
Subtract: Series C Preferred Stock, no par value	(125,980)	(125,980)	(125,980)	(125,980)	(125,980)
Tangible common equity	$2,756,023	2,801,020	2,802,580	2,849,314	2,866,038
Total shareholders' equity to total assets ratio	9.78 %	10.02	10.12	10.42	10.71
Tangible common equity ratio	9.28 %	9.52	9.62	9.90	10.18
Common Equity Tier 1 (CET1) Ratio (fully phased-in)					
Common equity Tier 1 (CET1)	$2,596,233				
Subtract: Adjustment related to capital components	(101,843)				
CET1 (fully phased-in)	$2,494,390				
Total risk-weighted assets (fully phased-in)	$26,323,936				
Common equity Tier 1 (CET1) ratio (fully phased-in)	9.48 %				

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ITEM 3. – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. – CONTROLS AND PROCEDURES

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

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

Synovus regularly seeks to identify, develop and implement improvements to its technology systems and business processes, some of which may affect its internal control over financial reporting. These changes may include such activities as implementing new, more efficient systems, updating existing systems or platforms, or automating manual processes. These systems changes are generally phased in over multiple periods in order to limit the implementation risk in any one period. As each change is implemented, Synovus monitors its effectiveness as part of its internal control over financial reporting. During the quarter ended September 30, 2016, Synovus implemented a new financial reporting system. Based on Synovus' testing and monitoring to date, Synovus presently does not believe that this improvement will materially affect, or is reasonably likely to materially affect, Synovus' internal control over financial reporting.

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PART II. – OTHER INFORMATION
ITEM 1. – LEGAL PROCEEDINGS
Synovus and its subsidiaries are subject to various legal proceedings, claims and disputes that arise in the ordinary course of its business. Additionally, in the ordinary course of business, Synovus and its subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. Synovus, like many other financial institutions, has been the target of legal actions and other proceedings asserting claims for damages and related relief for losses. These actions include mortgage loan and other loan put-back claims, claims and counterclaims asserted by individual borrowers related to their loans and allegations of violations of state and federal laws and regulations relating to banking practices, including putative class action matters. In addition to actual damages if Synovus does not prevail in such asserted legal actions, credit-related litigation could result in additional write-downs or charge-offs of assets, which could adversely affect Synovus' results of operations during the period in which the write-down or charge-off were to occur.
Based on Synovus' current knowledge and advice of counsel, management presently does not believe that the liabilities arising from these legal matters will have a material adverse effect on Synovus' consolidated financial condition, results of operations or cash flows. However, it is possible that the ultimate resolution of these legal matters could have a material adverse effect on Synovus' results of operations and financial condition for any particular period. For additional information, see "Part I - Item 1. Financial Statements - Note 12 - Legal Proceedings" of this Report, which Note is incorporated herein by this reference.
ITEM 1A. – RISK FACTORS
In addition to the other information set forth in this Report, you should carefully consider the factors discussed in “Risk Factors” in Part I-Item 1A of Synovus’ 2015 Form 10-K which could materially affect its business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.
There were no material changes during the period covered by this Report to the risk factors previously disclosed in Synovus’ 2015 10-K.
ITEM 2. – UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS
(a) None.
(b) None.
(c) Issuer Purchases of Equity Securities:
During the third quarter of 2015, Synovus' Board of Directors authorized a $300 million share repurchase program to be completed over the next 15 months. The table below sets forth information regarding repurchases of our common stock during the third quarter of 2016.

Share Repurchases	Total Number of Shares Repurchased	Average Price Paid per Share[(1)]	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 2016	1,122,000	$ 28.84	1,122,000	$ 59,152,804
August 2016	284,000	31.11	284,000	50,316,702
September 2016	1,246,458	31.88	1,246,458	10,581,579
Total	2,652,458	$ 30.51	2,652,458	

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

Effective September 29, 2016, Synovus entered into an accelerated share repurchase agreement (ASR) to repurchase the remaining $50.0 million of Synovus common stock under the share repurchase program, and repurchased 1.2 million shares at an initial average price of $31.87. The remaining shares will be repurchased upon settlement of the ASR agreement on or before December 28, 2016. Additionally, during the third quarter of 2016, Synovus repurchased $41.5 million, or 1.4 million

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shares, of common stock through a combination of open market transactions and privately negotiated transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

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ITEM 3. – DEFAULTS UPON SENIOR SECURITIES
None.
ITEM 4. – MINE SAFETY DISCLOSURES
None.
ITEM 5. – OTHER INFORMATION
None.

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ITEM 6. – EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of Synovus, as amended, incorporated by reference to Exhibit 3.1 of Synovus’ Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, as filed with the SEC on August 9, 2010.
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Synovus with respect to the Series C Preferred Stock, incorporated by reference to Exhibit 3.1 to Synovus' Current Report on Form 8-K dated July 25, 2013, as filed with the SEC on July 25, 2013.
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of Synovus, incorporated by reference to Exhibit 3.1 to Synovus' Current Report on Form 8-K dated April 29, 2014, as filed with the SEC on April 29, 2014.
3.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of Synovus, incorporated by reference to Exhibit 3.1 to Synovus' Current Report on Form 8-K dated May 19, 2014, as filed with the SEC on May 19, 2014.
3.5	Bylaws, as amended, of Synovus, incorporated by reference to Exhibit 3.1 of Synovus' Current Report on Form 8-K dated November 8, 2010, as filed with the SEC on November 9, 2010.
12.1	Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File

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SIGNATURES

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

	SYNOVUS FINANCIAL CORP.	
November 4, 2016	By:	/s/ Kevin S. Blair
Date		Kevin S. Blair
		Executive Vice President and Chief Financial Officer
		(Duly Authorized Officer and Principal Financial Officer)