

SYNOVUS FINANCIAL CORP  
Form 10-K  
March 01, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

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Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2012  
Commission file number 1-10312

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

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Georgia (State or other jurisdiction of incorporation or organization)	58-1134883 (I.R.S. Employer Identification No.)
1111 Bay Avenue Suite 500, Columbus, Georgia (Address of principal executive offices)	31901 (Zip Code)
Registrant's telephone number, including area code: (706)	649-2311
Securities registered pursuant to Section 12(b) of the Act:	
Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 Par Value	New York Stock Exchange
Tangible Equity Units	New York Stock Exchange
Series B Participating Cumulative Preferred Stock	New York Stock Exchange
Purchase Rights	
Securities registered pursuant to Section 12(g) of the Act:	NONE

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES  NO

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

YES  NO

As of June 30, 2012, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately \$1,446,059,871 based on the closing sale price of \$1.98 reported on the New York Stock Exchange on June 29, 2012.

As of February 14, 2013, there were 787,353,704 shares of the registrant's Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Incorporated Documents	Form 10-K Reference Locations
Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held April 25, 2013 ("Proxy Statement")	Part III

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SYNOVUS FINANCIAL CORP.

INDEX OF DEFINED TERMS

2013 Senior Notes – Synovus' outstanding 4.875% Senior Notes due February 15, 2013  
2017 Senior Notes - Synovus' outstanding 5.125% Senior Notes due February 15, 2017  
2019 Senior Notes – Synovus' outstanding 7.875% Senior Notes due February 15, 2019  
ALCO – Synovus' Asset Liability Management Committee  
ALL – allowance for loan losses  
AMT – Alternative Minimum Tax  
ARRA – American Recovery and Reinvestment Act of 2009  
ASC – Accounting Standards Codification  
ASU – Accounting Standards Update  
AUM – assets under management  
BAM – Broadway Asset Management, Inc., a wholly-owned subsidiary of Synovus Financial Corp.  
Basel III – a global regulatory framework developed by the Basel Committee on Banking Supervision  
BCBS – Basel Committee on Banking Supervision  
BSA/AML – Bank Secrecy Act/Anti-Money Laundering  
BOV – broker's opinion of value  
bp – basis point (bps - basis points)  
CD – certificate of deposit  
C&D – residential construction and development loans  
C&I – commercial and industrial loans  
CB&T – Columbus Bank and Trust Company, a division of Synovus Bank. Synovus Bank is a wholly-owned subsidiary of Synovus Financial Corp.  
CAMELS Rating System – A term defined by bank supervisory authorities, referring to Capital, Assets, Management, Earnings, Liquidity, and Sensitivity to Market Risk  
CEO – Chief Executive Officer  
CFO – Chief Financial Officer  
CFPB – Consumer Finance Protection Bureau  
Charter Consolidation – Synovus' consolidation of its 30 banking subsidiaries into a single bank charter in 2010  
CMO – Collateralized Mortgage Obligation  
Code – Internal Revenue Code of 1986, as amended  
Common Stock – Common Stock, par value \$1.00 per share, of Synovus Financial Corp.  
Company – Synovus Financial Corp. and its wholly-owned subsidiaries, except where the context requires otherwise  
Covered Litigation – Certain Visa litigation for which Visa is indemnified by Visa USA members  
CPP – U.S. Department of the Treasury Capital Purchase Program  
CRE – Commercial Real Estate  
CROA – Credit Repair Organization Act  
DIF – Deposit Insurance Fund  
Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act

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DRR – Designated Reserve Ratio  
DTA – deferred tax asset  
EBITDA – earnings before interest, depreciation and amortization  
EESA – Emergency Economic Stabilization Act of 2008  
EITF – Emerging Issues Task Force  
EL – expected loss  
EPS – earnings per share  
Exchange Act – Securities Exchange Act of 1934, as amended  
FASB – Financial Accounting Standards Board  
FDIC – Federal Deposit Insurance Corporation  
Federal Reserve Bank – The 12 banks that are the operating arms of the U.S. central bank. They implement the policies of the Federal Reserve Board and also conduct economic research.  
Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System establishes monetary policy (interest rates, credit, etc.) and monitors the economic health of the country. Its members are appointed by the President subject to Senate confirmation, and serve 14-year terms.  
Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure.  
FHLB – Federal Home Loan Bank  
FICO – Fair Isaac Corporation  
FIN – Financial Interpretation  
FinCEN – The Treasury's financial crimes enforcement network  
Financial Stability Plan – A plan established under the EESA which is intended to further stabilize financial institutions and stimulate lending across a broad range of economic sectors  
FINRA – Financial Industry Regulatory Authority  
FFIEC – Federal Financial Institutions Examination Council  
GA DBF – Georgia Department of Banking and Finance  
GAAP – Generally Accepted Accounting Principles in the United States of America  
GDP – gross domestic product  
Georgia Commissioner – Banking Commissioner of the State of Georgia  
GSE – government sponsored enterprise  
HAP – Home Affordability Program  
HELOC – home equity lines of credit  
IASB – International Accounting Standards Board  
IFRS – International Financial Reporting Standards  
IOLTA – Interest on Lawyer Trust Account  
IPO – Initial Public Offering  
IRC – Internal Revenue Code of 1986, as amended  
IRS – Internal Revenue Service  
LGD – loss given default  
LIBOR – London Interbank Offered Rate  
LIHTC – Low Income Housing Tax Credit

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LTV – loan-to-collateral value ratio  
MAD – Managed Assets Division, a division of Synovus Bank  
MBS – mortgage-backed securities  
MOU – Memorandum of Understanding  
NBER – National Bureau of Economic Research  
nm – not meaningful  
NOL – net operating loss  
NPA – non-performing assets  
NPL – non-performing loans  
NPR – notice of proposed rulemaking  
NSF – non-sufficient funds  
NYSE – New York Stock Exchange  
OCI – other comprehensive income  
OFAC – Office of Foreign Assets Control  
ORE – other real estate  
ORM – Operational Risk Management  
OTTI – other-than-temporary impairment  
Parent Company – Synovus Financial Corp.  
PD – probability of default  
POS – point-of-sale  
RCSA – Risk Control Self-Assessment  
Rights Plan – Synovus' Shareholder Rights Plan dated April 26, 2010, as amended  
SAB – SEC Staff Accounting Bulletin  
SBA – Small Business Administration  
SEC – U.S. Securities and Exchange Commission  
Securities Act – Securities Act of 1933, as amended  
Series A Preferred Stock – Synovus' Fixed Rate Cumulative Perpetual Preferred Stock, Series A, without par value  
Shared Deposit – A deposit product shared by Synovus prior to the Charter Consolidation, which gave its customers the opportunity to access up to \$7.5 million in FDIC insurance by spreading deposits across its 30 separately-chartered banks.  
Synovus – Synovus Financial Corp.  
Synovus Bank – A Georgia state-chartered bank, formerly known as Columbus Bank and Trust Company, and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations  
Synovus' 2012 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2012  
Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank  
Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank  
TAGP – Transaction Account Guarantee Program  
TARP – Troubled Assets Relief Program  
TBA – to-be-announced securities with respect to mortgage-related securities to be delivered in the future (MBSs and CMOs)  
TDR – troubled debt restructuring (as defined in ASC 310-40)  
Tender Offer – Offer by Synovus to purchase, for cash, all of its outstanding 2013 Notes, which commenced on February 7, 2012

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and expired on March 6, 2012

the Treasury – United States Department of the Treasury

tMEDS – tangible equity units, each composed of a prepaid common stock purchase contract and a junior subordinated amortizing note

TSYS – Total System Services, Inc.

UCL – Unfair Competition Law

USA PATRIOT Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism

VIE – variable interest entity, as defined in ASC 810-10

Visa – The Visa U.S.A. Inc. card association or its affiliates, collectively

Visa Class B shares – Class B shares of Common Stock issued by Visa which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled

Visa Derivative – A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the purchaser and Synovus based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares

Visa IPO – The IPO of shares of Class A Common Stock by Visa, Inc. on March 25, 2008

Warrant – Issued to the Treasury by Synovus, a warrant to purchase up to 15,510,737 shares of Synovus Common Stock at an initial per share exercise price of \$9.36

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Part I

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 of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements include statements with respect to Synovus' beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, many of which are beyond Synovus' control and which may cause Synovus' actual results, performance or achievements or the commercial banking industry or economy generally, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

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

- (1) further deterioration in credit quality may result in increased non-performing assets and credit losses, which could adversely impact our capital, financial condition, and results of operations;
- (2) the risk that our allowance for loan losses may prove to be inadequate or may be negatively affected by credit risk exposures;
- (3) further declines in the values of residential and commercial real estate may result in further write-downs of assets and realized losses on disposition of non-performing assets, which may increase credit losses and negatively affect our financial results;
- (4) the risk that we may not realize the expected benefits from our efficiency and growth initiatives, which will negatively affect our future profitability;
- (5) 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 additional strategic initiatives to improve our capital position;
- (6) changes in the interest rate environment 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) 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, including a further reduction in our credit ratings;
- (8) the impact on our borrowing costs, capital costs and our liquidity due to our status as a non-investment grade issuer and any further adverse changes in our credit ratings;
- (9) 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 or dividend payments on our Common Stock and Series A Preferred Stock and our ability to support asset growth and sustain our operations and the operations of Synovus Bank;
- (10) future availability and cost of additional capital and liquidity on favorable terms, if at all;
- (11) the risk that even though we have reversed substantially all of the deferred tax asset valuation allowance, we may be required to increase the valuation allowance in future periods, or we may not be able to realize the deferred tax assets in the future.



- the risk that we could have an “ownership change” under Section 382 of the IRC, which could impair our ability to
- (12) timely and fully utilize our net operating losses and built-in losses that may exist when such “ownership change” occurs;
- the impact on our financial results, reputation, and business if we are unable to comply with all applicable federal
- (13) and state regulations and applicable memoranda of understanding, other supervisory actions or directives and any necessary capital initiatives;
- the impact of our continued participation in TARP and the CPP, including the impact on compensation and other
- (14) restrictions imposed under TARP which affect our ability to attract, retain, and compensate talented executives and other employees and the impact of actions that we may be required to take to exit from the CPP and repay the outstanding Series A Preferred Stock issued under the CPP;

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- the impact of the Dodd-Frank Act and other recent and proposed changes in governmental policy, laws and regulations, including proposed and recently enacted changes in the regulation of banks and financial institutions,
- (15) 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;
- (16) the risk that we may be unable to pay dividends on our Common Stock;
- (17) the risk that we may be required to make substantial expenditures to keep pace with the rapid technological changes in the financial services market;
- (18) the risk that our enterprise risk management framework may not identify or address risks adequately, which may result in unexpected losses;
- (19) 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;
- (20) 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;
- (21) the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments related thereto;
- (22) the risk that we may be required to record goodwill impairment charges in the future;
- (23) risks related to the loss of customers to alternatives to bank deposits, which could affect our income and force us to rely on relatively more expensive sources of funding;
- (24) 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;
- (25) the effects of any damages to Synovus' reputation resulting from developments related to any of the items identified above; and
- (26) 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' 2012 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 this Report 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 statement 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.

**ITEM 1. BUSINESS**

Overview

General

Synovus Financial Corp. is a financial services company and a registered bank holding company headquartered in Columbus, Georgia. We provide integrated financial services including commercial and retail banking, financial management, insurance and mortgage services to our customers through 29 locally-branded banking divisions of our wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida and Tennessee.

Our relationship-driven community banking model is built on creating long-term relationships with our customers.

This relationship banking approach allows our bankers to serve their customers' individual needs and demonstrates our

commitment to the communities in which we operate. We believe that these factors position us to take advantage of future growth opportunities in our existing markets.

We were incorporated under the laws of the State of Georgia in 1972. Our principal executive offices are located at 1111 Bay Avenue, Suite 500, Columbus, Georgia 31901 and our telephone number at that address is (706) 649-2311. Our Common Stock is traded on the New York Stock Exchange under the symbol "SNV."

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### 2012 Business Highlights

During 2012, Synovus achieved significant accomplishments as we continued to recover from a challenging economy. Our key achievements during 2012 include the following:

**Continued profitability** - We reported net income for the year ended December 31, 2012 of \$771.5 million compared to a loss of \$118.7 million for the year ended December 31, 2011, and have now reported six consecutive quarters of profitability.

**Deferred tax asset valuation allowance reversal** - We recorded a \$798.7 million income tax benefit driven by the reversal of substantially all of the deferred tax asset valuation allowance in the fourth quarter of 2012. The reversal of the valuation allowance reflects confidence in our ability to generate sufficient levels of future profitability and continued improvement in credit quality. The reversal of the deferred tax asset valuation allowance helped drive our tangible book value per common share from \$2.07 per share at the beginning of the fourth quarter of 2012 to \$2.95 per share at December 31, 2012. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures" of this Report for further information.

**Continued improvement in credit metrics** - We continued to improve our credit metrics. During 2012, we sold distressed assets with a total carrying value of approximately \$918.8 million. Non-performing assets declined 37.1% during the year, with a NPA ratio of 3.57% at December 31, 2012 compared to 5.50% a year ago. Synovus Bank's classified assets declined \$830.5 million or 38.07% during 2012. In addition, total credit costs declined \$135.5 million or 23.8% during the year.

**Stabilization of loan portfolio** - Reported loans declined by \$538.1 million or 2.7% from a year ago impacted by loan sales and charge-offs. However, excluding the impact of transfers to loans held for sale, charge-offs, and foreclosures, net loan growth was \$588.8 million during 2012, compared to a net loan decline of \$370.9 million in 2011. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures" of this Report for further information.

**Continued focus on expense control** - We continued to focus on expense control. Total reported non-interest expenses for 2012 decreased \$87.5 million, or 9.7% from 2011 non-interest expenses of \$903.8 million. Core expenses decreased \$25.1 million, or 3.5% from 2011. This reduction follows a \$95.3 million reduction in core expenses for 2011. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures" of this Report for further information.

Our 2012 results have positioned us for TARP repayment, which we expect to occur no later than the fourth quarter of 2013, subject to regulatory approval.

In addition to these steps to improve operating and financial performance, Synovus continued its emphasis on improving the customer experience for retail and commercial customers. In January 2013, Synovus received 21 Customer Service Excellence Awards from the 2012 Greenwich Associates Excellence in Middle Market and Small Business Banking program, including recognition in the categories of overall satisfaction, relationship manager performance, personal banking branch satisfaction and customer service.

Management believes that these accomplishments provide momentum for long-term, sustained profitability and growth in 2013 and future periods.

Additional information relating to our business and our subsidiaries, including a detailed description of our operating results and financial condition for 2012, 2011 and 2010, our loan portfolio (by loan type and geography), our credit metrics and our deposits is contained below and under "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Report.

### Banking Operations

Synovus conducts its banking operations through Synovus Bank. Synovus Bank is a Georgia state-chartered bank. Synovus Bank operates through 29 locally-branded bank divisions throughout Alabama, Florida, Georgia, South Carolina and Tennessee. Synovus Bank offers commercial banking services and retail banking services. Our commercial banking services include cash management, asset management, capital markets services, institutional trust services and commercial, financial and real estate loans. Our retail banking services include accepting customary types of demand and savings deposits; mortgage, installment and other retail loans; investment and brokerage

services; safe deposit services; automated banking services; automated fund transfers; Internet based banking services; and bank credit card services, including MasterCard and Visa services.

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As of December 31, 2012, Synovus Bank operated under the following 30 locally-branded bank divisions in the following states:

Table 1 – Bank Divisions	State(s)
CB&T Bank of East Alabama	Alabama
Community Bank & Trust of Southeast Alabama	Alabama
The Bank of Tuscaloosa	Alabama
Sterling Bank	Alabama
First Commercial Bank of Huntsville	Alabama
First Commercial Bank	Alabama
The First Bank of Jasper	Alabama
The Tallahassee State Bank	Florida
Coastal Bank and Trust of Florida	Florida
First Coast Community Bank	Florida
Synovus Bank	Florida
Synovus Bank of Jacksonville	Florida
Columbus Bank and Trust Company	Georgia
Commercial Bank	Georgia
Commercial Bank & Trust Company of Troup County	Georgia
SB&T Bank	Georgia
The Coastal Bank of Georgia	Georgia
First State Bank and Trust Company of Valdosta	Georgia
Bank of Coweta	Georgia
First Community Bank of Tifton	Georgia
CB&T Bank of Middle Georgia	Georgia
Sea Island Bank	Georgia
Citizens First Bank	Georgia
AFB&T	Georgia
Bank of North Georgia	Georgia
Georgia Bank & Trust	Georgia
NBSC	South Carolina
The Bank of Nashville	Tennessee
Trust One Bank	Tennessee
Cohutta Banking Company	Tennessee and Georgia

Effective February 4, 2013, the Bank of Coweta division was consolidated with the Bank of North Georgia division, reducing our number of bank divisions to 29.

The following chart reflects the distribution of our branch locations as of December 31, 2012, in each of the states in which we conduct banking operations:

Table 2 – Bank Branch Locations	Branches
Georgia	124
Alabama	46
South Carolina	42
Florida	52
Tennessee	19
Total	283

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## Major Non-bank Subsidiaries

In addition to our banking operations, we also provide various other financial services to our customers through the following direct and indirect wholly-owned non-bank subsidiaries:

Synovus Securities, Inc., headquartered in Columbus, Georgia, which specializes in professional portfolio management for fixed-income securities, investment banking, the execution of securities transactions as a broker/dealer and the provision of individual investment advice on equity and other securities;

Synovus Trust Company, N.A., headquartered in Columbus, Georgia, which provides trust services;

Synovus Mortgage Corp., headquartered in Birmingham, Alabama, which offers mortgage services; and

GLOBALT, Inc., headquartered in Atlanta, Georgia, which provides asset management and financial planning services.

## Business Development

Synovus has traditionally focused on a strategy that includes expanding and diversifying its franchise in terms of revenues, profitability and asset size while maintaining a community banking, relationship-based approach to banking. This strategy has encompassed both organic growth and acquisitions of complementary banks and financial services businesses. During the 1990's and through 2006, Synovus' growth resulted largely from acquisitions of smaller community banks. As a result of the economic crisis that began in 2008, Synovus has refocused its efforts on initiatives to increase revenue through organic growth, lower its cost structure, reduce its concentration of CRE loans, strengthen its balance sheet and capital position and aggressively reduce non-performing assets.

## Lending Activities

## Overview

The primary goal of Synovus' lending function is to help clients achieve their financial goals by providing quality loan products that are fair to the client and profitable to Synovus. Management believes that this purpose can best be accomplished by building strong, profitable client relationships over time and maintaining a strong presence and position of influence in the communities Synovus serves. Synovus strives to serve all of its customers with the highest levels of courtesy, respect, gratitude and fairness and deliver its services with unparalleled expertise, efficiency, responsiveness and accuracy. This relationship-based approach to banking enables Synovus' bankers to develop a deep knowledge of Synovus' customers and the markets in which they operate. Synovus has processes to ensure consistency of its lending processes across all of its banking divisions, to maintain strong underwriting criteria to evaluate new loans and loan renewals, and to diversify its loan portfolio in terms of type, industry and geographical concentration. Synovus believes that these measures better position Synovus to meet the credit needs of businesses and consumers in the markets it serves while pursuing a balanced strategy of loan profitability, loan growth and loan quality.

Synovus conducts the majority of its lending activities within the framework of its relationship-based approach to banking, built on creating long-term relationships with its customers. The following tables summarize Synovus' loan portfolio by type and by state at December 31, 2012 and 2011.

Table 3 – Loans by Type (dollars in thousands)	2012		2011	
	Total Loans*	%	Total Loans*	%
Investment properties	\$4,376,118	22.4	% \$4,557,313	22.7
1-4 family properties	1,279,105	6.5	1,618,484	8.1
Land acquisition	794,229	4.1	1,094,821	5.4
Total commercial real estate	6,449,452	33.0	7,270,618	36.2
Commercial and industrial	9,101,514	46.5	8,941,274	44.5
Retail	4,011,097	20.5	3,879,907	19.3
Deferred fees and costs, net	(20,373 )	nm	(11,986 )	nm
Total loans, net of deferred fees and costs	\$19,541,690	100.0	% \$20,079,813	100.0 %

\*Loan balance in each category is net of deferred fees and costs and is expressed as a percentage of total loans, net of deferred fees and costs.

nm = not meaningful





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Table 4 – Loans by State

(dollars in thousands)	2012		2011		
	Total Loans*	As a % of Total Loan Portfolio	Total Loans*	As a % of Total Loan Portfolio	
Georgia	\$ 10,028,848	51.3	% \$ 10,666,542	53.1	%
Atlanta	3,445,273	17.6	3,597,103	17.9	
Florida	2,576,576	13.2	2,603,167	13.0	
South Carolina	2,660,020	13.6	2,730,401	13.6	
Tennessee	1,026,067	5.3	873,466	4.3	
Alabama	3,250,179	16.6	3,206,237	16.0	
Consolidated	\$ 19,541,690	100.0	% \$ 20,079,813	100.0	%

\*Loan balance in each category is net of deferred fees and costs and is expressed as a percentage of total loans, net of deferred fees and costs.

The following discussion describes the underwriting procedures of Synovus' lending function and presents the principal types of lending conducted by Synovus. The results of Synovus' lending activities and the relative risk of Synovus' loan portfolio are discussed in "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

Underwriting Approach

Recognizing that its loan portfolio is the primary source of revenue, Synovus' management believes that proper and consistent loan underwriting throughout Synovus' banking divisions is critical to Synovus' long-term financial success. Synovus' underwriting approach is designed to effectively govern the degree of assumed risk and ensure that its credit relationships conform to Synovus' overall risk philosophy. During 2009 and 2010, Synovus transitioned its underwriting standards and key underwriting functions from a decentralized bank-by-bank approach to a more centralized regional approach and, finally, to a centralized organization-wide approach with the completion of the Charter Consolidation. These underwriting standards address collateral requirements; guarantor requirements (including policies on financial statements, tax returns, and limited guarantees); requirements regarding appraisals and their review; loan approval hierarchy; standard consumer and small business credit scoring underwriting criteria (including credit score thresholds, maximum maturity and amortization, loan-to-value limits, global service coverage, and debt to income limits); commercial real estate and C&I underwriting guidelines (including minimum debt service coverage ratio, maximum amortization, minimum equity requirements, maximum loan-to-value ratios); lending limits; and credit approval authorities. Additionally, Synovus has implemented an enhanced loan concentration policy to limit and manage its exposure to certain loan concentrations, including commercial real estate. The enhanced loan concentration policy provides a more detailed program for portfolio risk management and reporting including limits on commercial real estate loans as a percentage of risk-based capital (in the aggregate and by loan type), large borrower concentration limits and monitoring, as well as portfolio mix monitoring. Synovus' underwriting process is structured to require oversight that is proportional to the size and complexity of the lending relationship.

Synovus utilizes a tiered credit approval process requiring larger loans to be approved by more senior bank officers as well as an independent senior credit officer, with the largest loans requiring approval of Synovus Bank's Credit Committee, which is comprised of the Chief Credit Officer, the Chief Banking Officer, the Chief Commercial Banking Officer, and other key executives of Synovus Bank. The centralized underwriting policy and philosophy also provides a structured, conservative approach to lending. For instance, loan-to-value limits on certain credits are lower than regulatory requirements, large borrower concentration limits are explicit, and bank division lending limits are lower than before the credit crisis. Furthermore, Synovus has established across all of its banking divisions more stringent underwriting requirements on certain types of commercial real estate lending, including loans for the purpose of financing shopping centers and hotels.

Prior to 2009, each of our banking divisions had its own underwriting standards. While these separate underwriting standards were generally similar to each other and were all in compliance with regulatory requirements, the transition

to uniform underwriting standards emphasizes a one-company view of our operating structure and promotes greater consistency throughout Synovus' underwriting process.

**Commercial and Industrial (C&I) Loan Portfolio**

The C&I loan portfolio represents the largest category of Synovus' total loan portfolio. Synovus' C&I loan portfolio is currently concentrated on small to middle market commercial and industrial lending disbursed throughout a diverse group of industries in the Southeast, including health care, finance and insurance, manufacturing, construction, real estate leasing and retail trade. The

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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 primarily originated through Synovus' local market banking divisions and made to commercial customers primarily to finance capital expenditures, including real property, plant and equipment, or as a source of working capital. At December 31, 2012, 19.4% of Synovus' total C&I loans represented loans for the purpose of financing owner-occupied properties. The primary source of repayment on these C&I loans is revenue generated from products or services offered by the borrower's business. The secondary source of repayment on these C&I loans is the real estate securing such loans. In accordance with Synovus' uniform lending policy, each loan undergoes a detailed underwriting process, which incorporates the uniform underwriting approach, procedures and evaluations described above. Approximately 93% of Synovus' C&I loans are secured by real estate, business equipment, inventory, and other types of collateral. Total C&I loans at December 31, 2012 were \$9.10 billion, or 46.5%, of the total loan portfolio.

C&I lending is a key component of Synovus' growth and diversification strategy (reducing overall concentration in CRE and growing the percentage of C&I loans relative to the total loan portfolio). Synovus has actively invested in additional expertise, product offerings, and product quality to provide its commercial and industrial clients with increased and enhanced product offerings and customer service. Complementing this investment in C&I growth, Synovus' management continues to focus on streamlining and enhancing Synovus' existing product lines, especially for traditional retail, small business and professional services customers.

During 2011, Synovus formed the Corporate Banking Group to complement its core banking talent and further diversify and grow the C&I portfolio. Loans outstanding from the Corporate Banking Group increased to \$1.22 billion at December 31, 2012, compared to \$632.7 million at December 31, 2011. The Corporate Banking Group provides lending solutions to larger corporate clients, and includes specialty units such as syndications and senior housing. These units partner with Synovus' local bankers to build relationships across the five-state footprint, as well as the southeastern and southwestern United States. To-date, loan syndications consist primarily of loans where Synovus is participating in the credit (versus the lead bank). Senior housing loans are typically extended to borrowers in the assisted living or skilled nursing facilities sectors. The Corporate Banking Group also originates loans and participates in loans to well-capitalized public companies and larger private companies that operate in the five-state footprint as well as other states in the Southeast.

**Commercial Real Estate Loan Portfolio**

Synovus' commercial real estate loans consist of investment property loans, residential construction and development loans, land acquisition loans, and 1-4 family perm/mini-perm loans. As is the case with Synovus' C&I loans, the commercial real estate loans are primarily originated through Synovus Bank's local market banking divisions. Total commercial real estate loans as of December 31, 2012 were \$6.45 billion, or 33.0%, of the total loan portfolio.

**Investment Property Loans**

Synovus' investment property loans are primarily made to finance multi-family properties, hotels, office buildings, shopping centers, warehouses and other commercial development properties. Synovus' investment property 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. These loans are generally recourse in nature with short-term maturities (3 years or less), allowing for restructuring opportunities which reduces Synovus' overall risk exposure. The investment property loans are primarily secured by the property being financed by the loans; however, they may also be secured by real estate or other assets beyond the property being financed. Investment property loans are subject to the same uniform lending policies and procedures described above, although such loans have historically been underwritten with stressed interest rates and vacancies. All investment property loans of \$1 million or more are reviewed quarterly to more closely monitor the performance of the portfolio. Total investment property loans as of December 31, 2012 were \$4.38 billion, or 22.4%, of the total portfolio.

**Residential Construction and Development and Land Acquisition Loans**

The residential construction and development loans and land acquisition loans are almost always secured by the underlying property being financed by such loans. These properties are primarily located in the markets served by Synovus. Although housing and real estate markets in the five southeastern states within Synovus' footprint are

showing signs of stabilization, Synovus has actively worked to reduce its exposure (including its exposure in historically high loss markets such as Atlanta) to these types of loans. These loans are generally subject to the same uniform lending policies and procedures described above. Land acquisition loans have a maximum loan-to-value limit which is aligned with regulatory requirements. Synovus has tightened the maximum loan-to-value limit for residential construction and development loans to levels more stringent than the current regulatory guidelines. At December 31, 2012, these loans were approximately \$1.21 billion, or 18.7%, of the total commercial real estate loan portfolio, compared to \$1.74 billion or 24.0% of the total commercial real estate portfolio at December 31, 2011.

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### 1-4 Family Perm/Mini-Perm Loans

1-4 family perm/mini-perm loans are almost always secured by the underlying property being financed by such loans. These properties are primarily located in the markets served by Synovus. These loans are subject to the same uniform lending policies and procedures described above. Additionally, underwriting standards for these types of loans include stricter approval requirements as well as more stringent underwriting standards than current regulatory guidelines. At December 31, 2012, these loans totaled \$865.8 million, or 13.5% of the total commercial real estate portfolio.

### Retail Loan Portfolio

Synovus' retail loan portfolio consists of a wide variety of loan products offered through its banking network, including residential mortgages, home equity lines, credit card loans, and other retail loans. These various types of secured and unsecured retail loans are marketed to qualifying existing clients and to other creditworthy candidates in Synovus' market area. The majority of Synovus' retail loans are consumer mortgages 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. Total retail loans as of December 31, 2012 were \$4.01 billion, or 20.5%, of the total loan portfolio.

In accordance with Synovus' uniform lending policy, each loan undergoes a detailed underwriting process which incorporates uniform underwriting standards and oversight that is proportional to the size and complexity of the lending relationship. Retail loans are subject to the same uniform lending policies referenced above and consist primarily of loans with strong borrower credit scores (most recently measured December 31, 2012 weighted-average FICO scores within the residential real estate portfolio were 757 for HELOC and 735 for Consumer Mortgages), conservative debt-to-income ratios (average debt-to-income ratio of 27.1% at December 31, 2012), utilization rates (total amount outstanding as a percentage of total available lines) of approximately 61.7% at December 31, 2012, and loan-to-value ratios based upon prudent guidelines to ensure consistency with Synovus' overall risk philosophy. Apart from credit card loans and unsecured loans, Synovus does not originate loans with LTV ratios greater than 100% at origination except for infrequent situations provided that certain underwriting requirements are met. Additionally, at origination, loan maturities are determined based on the borrower's ability to repay (cash flow or earning power of the borrower that represents the primary source of repayment) and the collateralization of the loan, including the economic life of the asset being pledged. Collateral securing these loans provides a secondary source of repayment in that the collateral may be liquidated. Synovus determines the need for collateral on a case-by-case basis. Factors considered include the purpose of the loan, current and prospective credit-worthiness of the customer, terms of the loan, and economic conditions.

### Mortgage Banking

Synovus Bank's wholly-owned subsidiary, Synovus Mortgage, originates residential mortgage loans with originations totaling \$1.47 billion in 2012. Synovus Mortgage offers various types of fixed- and adjustable-rate loans for the purposes of purchasing, refinancing or constructing residential properties. The originated loans are primarily conforming mortgage loans for owner-occupied properties. Conforming loans are loans that are underwritten in accordance with the underwriting standards set forth by government sponsored entities such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These loans are generally collateralized by one-to-four-family residential real estate properties and are made to borrowers in good credit standing.

Substantially all of the mortgage loans originated by Synovus Mortgage are sold to third-party purchasers on a servicing released basis, without recourse, or continuing involvement. Each purchaser of our mortgage loans has specific guidelines and criteria for sellers of loans, and the risk of credit loss with regard to the principal amount of the loans sold is generally transferred to the purchasers upon sale. While the loans are sold without recourse, the purchase agreements require Synovus Mortgage to make certain representations and warranties regarding the existence and sufficiency of file documentation and the absence of fraud by borrowers or other third parties such as appraisers in connection with obtaining the loan. If it is determined that the loans sold were in breach of these representations or warranties, Synovus Mortgage has obligations to either repurchase the loan for the unpaid principal balance and related investor fees or make the purchaser whole for the economic benefits of the loan. To date, Synovus has experienced minimal repurchase activity in its consumer mortgage lending operations. Additionally, foreclosure activity in the home equity and consumer mortgage loan portfolios has been low.

See “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Mortgage Banking” and "Part I - Item 1A. Risk Factors - We may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations and financial condition" of this Report for a more detailed discussion of Synovus' obligations with respect to the mortgage loans it sells to third-party purchasers and Synovus' mortgage loan foreclosure practices and risks related to our mortgage loan operations.

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### Other Loans Held for Sale Portfolio

With the exception of certain first lien residential mortgage loans, Synovus originates loans with the intent to hold those loans for the foreseeable future. Loans or pools of distressed loans are transferred to the other loans held for sale portfolio when management makes the decision to sell specifically identified loans. The value of the loans or pools of loans is primarily determined by analyzing the underlying collateral of the loan and the anticipated market prices of similar assets less estimated costs to sell. At the time of transfer, if the fair value less selling costs is less than the carrying amount of the specific loans, with such difference generally being attributable to declines in credit quality, the shortfall is recorded as a charge-off against the allowance for loan losses. At December 31, 2012 the carrying value of other loans held for sale was \$10.7 million.

### Credit Quality

Synovus continuously monitors credit quality and maintains an allowance for loan losses that management believes is sufficient to absorb probable and estimable losses inherent in the loan portfolio. Synovus continues to address problem assets and reduce future exposures through its asset disposition strategy, which centers around the disposition of distressed assets, as a proactive measure in managing the loan portfolio. Subsequent to the implementation of the asset disposition strategy, Synovus entered into the Synovus MOU. The Synovus MOU was in alignment with the existing asset disposition strategy, including managing various asset quality and regulatory capital ratios. The asset disposition program is still in place today. Net charge-offs recorded during the three years ended December 31, 2012 related to this strategy were approximately \$694 million. For a more detailed discussion of Synovus' credit quality, see "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Credit Quality" of this Report for further information.

### Monitoring of Collateral

Synovus' loan portfolio and the collateral securing such loans is predominately located in a five state market consisting of Georgia, Florida, South Carolina, Alabama, and Tennessee. C&I loans represent 46.5% of the total loan portfolio at December 31, 2012. These loans are predominately secured by owner-occupied and other real estate. Other types of collateral securing these loans consist primarily of marketable equipment, marketable inventory, accounts receivable, equity and debt securities, and time deposits. Total commercial real estate loans represent 33.0% of the total loan portfolio at December 31, 2012. These loans are primarily secured by commercial real estate, including 1-4 family properties, land, and investment properties. The collateral generally consists of the property being financed by the loans; however, collateral may also include real estate or other assets beyond the property being financed. Retail loans at December 31, 2012 totaled \$4.01 billion, or 20.5%, of the total loan portfolio. Of this amount, \$2.94 billion consists of consumer mortgages secured by first and second liens on residential real estate. Credit card loans represent \$263.6 million of this amount and these loans are generally unsecured. Small business loans at December 31, 2012 totaled \$516.3 million, an increase of \$216.0 million or 71.9% compared to December 31, 2011. The increase in small business loans is partially due to a reclassification of C&I loans which are now underwritten using a business credit scoring system and thus are reported as small business loans, a component of retail loans. During 2012, \$58.0 million of these loans were reclassified from the C&I portfolio to retail small business loans. As these small business loans included as a component of commercial and industrial loans are renewed or refinanced, they will be classified as small business loans, a component of retail loans. Other retail loans represent \$294.5 million of this amount, and they are primarily secured by collateral consisting of marketable securities, automobiles, time deposits, and cash surrender value of life insurance.

Synovus follows a risk-based approach as it relates to the credit monitoring processes for its loan portfolio. Synovus updates the fair value of the real estate collateral securing collateral-dependent impaired loans each calendar quarter, with appraisals usually received on an annual basis, or sooner if appropriate, from an independent, unaffiliated certified or licensed appraiser. Management also considers other factors or recent developments, such as selling costs and anticipated sales values considering management's plans for disposition, which could result in adjustments to the collateral value estimates indicated in the appraisals. Synovus updates the value of collateral that is in the form of accounts receivable, inventory, equipment, and cash surrender value of life insurance policies at least annually and the value of collateral that is in the form of marketable securities and brokerage accounts at least quarterly.

It is the Company's policy to obtain, on at least an annual basis, an updated appraisal from an independent, unaffiliated certified or licensed appraiser for loan relationships of \$1 million and over when at least one of the loans in the relationship is on non-accrual status. For relationships under \$1 million, while independent appraisals are not mandated by the Company's policies, management will obtain such appraisals when considered prudent. For credits that are not on impaired status, Synovus generally obtains an unaffiliated third-party appraisal of the value of the real estate collateral prior to each loan renewal. Additionally, if conditions warrant (e.g., loans that are not considered impaired but exhibit a higher or potentially higher risk), Synovus engages an unaffiliated appraiser to reappraise the value of the collateral on a more frequent basis. Examples of circumstances that could warrant a new appraisal on an existing performing credit include instances in which local market conditions where the real estate collateral is located have deteriorated, the collateral has experienced damage (fire, wind dam