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

FORM 10-K

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

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par Value	New York Stock Exchange
Tangible Equity Units	New York Stock Exchange
Series B Participating Cumulative Preferred Stock Purchase Rights	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x 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 x
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 x 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 x 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

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

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

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

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

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

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 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) 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.

(12) the risk that we could have an "ownership change" under Section 382 of the IRC, 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;

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

(14) the impact of our continued participation in TARP and the CPP, including the impact on compensation and other 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;

(15) 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, 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	2012		2011	
(dollars in thousands)	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 Total Loans*	As a % of Total Loan Portfolio		2011 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.

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 damage, etc.), the lease or sell-out of the collateral has not met the original projections, and the net operating income of the collateral has declined. In circumstances where

the collateral is no longer considered sufficient, Synovus seeks to obtain additional collateral. Examples of adjustments made quarterly to appraised values include broker's commission, unpaid real estate taxes, attorney's fees, other estimated costs to dispose of the property, known damage to the property, known declines in the net operating income of the property or rent rolls, as well as third-party market data.

Loan Guarantees

In addition to collateral, Synovus generally requires a guarantee from all principals on all commercial real estate and commercial and industrial lending relationships. Specifically, Synovus generally obtains unlimited guarantees from any entity (e.g., individual, corporation, or partnership) that owns or controls 50 percent or more of the borrowing entity. Limited guarantees on a pro rata basis are generally required for all 20 percent or more owners.

Synovus evaluates the financial ability of a guarantor through an evaluation of the guarantor’s current financial statements, income tax returns for the two most recent years, as well as financial information regarding a guarantor’s business or related interests. In addition, to validate the support that a guarantor provides relating to a commercial real estate loan, Synovus analyzes both substantial assets owned by the guarantor to ensure that the guarantor has the necessary ownership interest and control over these assets to convert to cash, and the global cash flow of the guarantor. For loans that are not considered impaired, the allowance for loan losses is determined based on the risk rating of each loan. The risk rating incorporates a number of factors, including guarantors. If a loan is impaired, with certain limited exceptions, a guarantee is not considered in determining the amount to be charged-off.

With certain limited exceptions, Synovus seeks performance under guarantees in the event of a borrower’s default. However, due to the recent economic conditions, and based on the fact that a majority of Synovus’ distressed credits are commercial real estate credits, Synovus’ success in recovering amounts due under guarantees has been limited.

Unsecured Loans

At December 31, 2012, Synovus had unsecured loans totaling approximately $888 million, which represents approximately 5% of total loans. This segment of our portfolio includes $263.6 million in credit card loans and approximately $624.2 million in commercial loans to borrowers that are primarily in the manufacturing, insurance, financial services, utilities, and religious organization sectors.

Provision for Loan Losses and Allowance for Loan Losses

Despite credit standards, effective operation of internal controls, and a continuous loan review process, the inherent risk in the lending process results in periodic charge-offs. The provision for loan losses is the charge to operating earnings necessary to maintain an adequate allowance for loan losses. Through the provision for loan losses, Synovus maintains an allowance for losses on loans that management believes is adequate to absorb probable losses inherent within the loan portfolio. However, future additions to the allowance may be necessary based on changes in economic conditions, as well as changes in assumptions regarding a borrower's ability to pay and/or collateral values. In addition, various regulatory agencies, as an integral part of their examination procedures, periodically review Synovus Bank's allowance for loan losses. Based on their judgments about information available to them at the time of their examination, such agencies may require Synovus Bank to recognize additions to its allowance for loan losses.

The allowance for loan losses is a significant estimate and is regularly evaluated by Synovus for accuracy and consistency between the changes in the allowance for loan losses with the credit trends and credit events in the loan portfolio. The allowance for loan losses is determined based on an analysis which assesses the inherent risk for probable losses within the loan portfolio. Significant judgments and estimates are necessary in the determination of the allowance for loan losses. Significant judgments include, among others, loan risk ratings and classifications, the determination and measurement of impaired loans, the timing of loan charge-offs, the probability of loan defaults, the net loss exposure in event of loan defaults, qualitative loss factors, management's plans, if any, for disposition of certain loans as well as other qualitative considerations.

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.

Non-performing Assets and Past Due Loans

Non-performing assets consist of loans classified as non-accrual, impaired loans held for sale and real estate acquired through foreclosure. Synovus' management continuously monitors non-performing and past due loans to prevent further deterioration regarding the condition of these loans. In order to reduce non-performing asset levels, Synovus

has aggressively disposed of non-performing assets over the last three years. While Synovus still has an elevated level of non-performing assets, Synovus' total non-performing assets at December 31, 2012 were at their lowest level in the last two years.

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.

Investment Activities

Our investment securities portfolio consists principally of debt securities classified as available for sale. Investment securities available for sale provide Synovus with a source of liquidity and a relatively stable source of income. The investment securities portfolio also provides management with a tool to balance the interest rate risk of its loan and deposit portfolios.

Our investment strategy focuses on the use of the investment securities portfolio to generate interest income and to assist in the management of interest rate risk. Synovus also utilizes a significant portion of its investment portfolio to secure certain deposits and other liabilities requiring collateralization. At December 31, 2012, approximately $2.28 billion of these investment securities were pledged as required collateral for certain deposits, securities sold under repurchase agreements, and payment network arrangements. As such, the investment securities are primarily GSE debentures and mortgage-backed securities issued by GSEs, all of which have a high degree of liquidity and limited credit risk. A mortgage-backed security depends on the underlying pool of mortgage loans to provide a cash flow pass-through of principal and interest. At December 31, 2012, all of the collateralized mortgage obligations and mortgage-backed pass-through securities held by Synovus were issued or backed by federal agencies.

Synovus also holds state and municipal securities and limited equity securities.

Funding Activities

Liquidity represents the extent to which Synovus has readily available sources of funding to meet the needs of depositors, borrowers, and creditors, to support asset growth, and to otherwise sustain operations of Synovus and its subsidiary, Synovus Bank, at a reasonable cost on a timely basis and without adverse consequences. Deposits represent the largest source of funds for lending and investing activities. Scheduled payments, as well as prepayments, and maturities from our loan and investment portfolios also provide a stable source of funds. Additional funding sources which provide liquidity include FHLB advances, brokered deposits and other short-term borrowed funds, as well as through equity and debt issued through the capital markets, including our recent public offerings. Synovus' 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. Following is a brief description of the various sources of funds used by Synovus. For further discussion relating to Synovus' funding sources, see “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Deposits,” “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity” and "Part II - Item 8. Financial Statements and Supplementary Data - Note 12 - Long-Term Debt and Short-Term Borrowings” of this Report.

Deposits

Deposits provide the most significant funding source for Synovus' interest earning assets and remain a strength of Synovus' business. Deposits are attracted principally from clients within Synovus' retail branch network through the offering of a broad array of deposit products to individuals and businesses, including non-interest bearing demand deposit accounts, interest-bearing demand deposit accounts, savings accounts, money market deposit accounts, and time deposit accounts. Synovus also utilizes brokered deposits as a funding source in addition to deposits attracted through its retail branch network. Terms vary among deposit products with respect to commitment periods, minimum balances, and applicable fees. Interest paid on deposits represents the largest component of Synovus' interest expense. Interest rates offered on interest-bearing deposits are determined based on a number of factors, including, but not limited to, (1) interest rates offered in local markets by competitors, (2) current and expected economic conditions, (3) anticipated future interest rates, (4) the expected amount and timing of funding needs, and (5) the availability and cost of alternative funding sources. Client deposits are attractive sources of funding because of their stability and relative cost. Deposits are regarded as an important part of the overall client relationship and provide opportunities to cross-sell other Synovus services.

See “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Deposits” of this Report for further information.

Borrowed Funds and Non-Deposit Liquidity

Synovus' ability to borrow funds from non-deposit sources provides additional flexibility in meeting the liquidity needs of Synovus. Synovus generates non-deposit liquidity through maturities and repayments of loans by customers and access to sources of funds other than deposits. Synovus Bank has the capacity to access funding through its membership in the FHLB. At December 31, 2012, Synovus Bank had access to incremental funding, subject to available collateral and FHLB credit policies, through utilization of FHLB advances.

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In addition to bank level liquidity management, Synovus must manage liquidity at the Parent Company level for various operating needs including capital infusions into subsidiaries, the servicing of debt, the payment of general corporate expenses, and the payment of dividends on our Common Stock and Series A Preferred Stock. The primary source of liquidity for Synovus has historically consisted of dividends from its subsidiaries, including Synovus Bank, which is governed by certain rules and regulations of the GA DBF and the FDIC. Dividends from Synovus Bank in 2010 were $43.9 million. During 2011 and 2012 Synovus Bank did not pay dividends to the Parent Company. 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 and overall condition.

Synovus Bank is currently subject to an MOU that prohibits it from paying any cash dividends to Synovus without regulatory approval, and other GA DBF rules and related statutes contain additional restrictions on payments of dividends by Synovus Bank. See "Part I - Item 1 - Supervision, Regulation and Other Factors - Dividends" of this Report for further information.

Synovus expects that it will receive dividends from Synovus Bank during 2013. If Synovus does not receive dividends from Synovus Bank during 2013, Synovus' liquidity could be adversely affected. In particular, failure to receive dividends from Synovus Bank will impair Synovus' ability to repay TARP in full without issuing substantially more debt or equity than it otherwise anticipates will be required. Synovus has historically enjoyed a solid reputation in the capital markets and in the past few years has relied on the capital markets to provide needed liquidity resources, including its public offerings completed in September 2009, May 2010 and February 2012. Despite the success of these public offerings, there can be no assurance that Synovus would be able to obtain additional new borrowings or issue additional equity on favorable terms, if at all. See “Part I - Item 1A. Risk Factors - Our status as a non-investment grade issuer and any further reductions in our credit rating could increase the cost of our funding from the capital market and impact our liquidity" and “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity” of this Report for further information.

Enterprise Risk Management

As a financial services organization, Synovus accepts a certain degree of risk with each business decision it makes. Risk management does not eliminate risk, but seeks to achieve an appropriate balance between risk and return, which is critical to optimizing shareholder value. Understanding our risks and managing them appropriately can enhance our ability to make better decisions, deliver on objectives, and improve performance. A risk management framework has been established within Synovus, which begins with the Board of Directors, working primarily with the Risk Committee of the Board. The Risk Committee fulfills the overarching oversight role for the risk management process, including approval of risk tolerance levels and risk policies and limits, monitoring key and emerging risks and reviews risk assessments. The Chief Risk Officer reports to the Chief Executive Officer and provides overall vision, direction and leadership regarding our enterprise risk management framework.

The risk management framework includes an Executive Risk Committee, chaired by the Chief Risk Officer that consists of all Synovus' corporate executive officers and the Senior Director of Enterprise Risk. The committee meets regularly to monitor Synovus' key and emerging risks and ensures that these risks are effectively managed and assesses capital relative to the Company's risk appetite. Senior management risk committees oversee the various risk types within the Company as shown below and provide minutes of activities and decisions to the Board of Directors. These committees are responsible for ensuring effective risk measurement and management in their respective areas of authority. The Chief Risk Officer is an active member of each of these management risk committees.

- ALCO -Interest Rate/Market Risk and Liquidity Risk
- Credit Risk Committee - Credit Risk
- Regulatory Compliance Risk Committee - Compliance Risk
- Operational Risk Committee - Operational Risk
- Strategic Risk Committee - Reputational Risk, Litigation Risk, and Strategic Risk

Management believes that Synovus' primary risk exposures are credit, liquidity, operational, and regulatory compliance risk. Credit risk is risk of loss arising from our borrowers' or counterparties' inability to meet the financial terms of any contract with the Company, or other failure to perform as agreed. Liquidity risk arises from an inability

of the Company to meet current or future obligations when they come due without incurring unacceptable losses. Operational risk arises from the potential that inadequate information systems, operational problems, inadequate or failed internal controls, human error, fraud or external events will result in unexpected losses. Compliance risk arises from nonconformance with laws, rules, and regulations that apply to the financial services industry and exposes the Company to monetary penalties, enforcement actions, or other sanctions.

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ALCO

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 create 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. See “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity” and “Item 7A. Qualitative and Quantitative Disclosures about Market Risk” in this Report for further information.

Credit Risk

The Company has established a credit risk management process with policies, controls and regular Board and management oversight. Credit risk management is guided by centralized credit policies that provide for a consistent and prudent approach to underwriting and approvals of credits. The Credit Risk Committee, chaired by the Chief Credit Officer, monitors credit management reports, establishes lending policies, limits, and guidance to better manage the loan function, and provides strategies to reduce the level of credit risk in the loan portfolio. The Credit Risk Committee oversees risk grade accuracy, credit servicing requirements, and loan concentration levels and manages risk in the execution of loan growth strategies.

The Regional Credit function reports to the Chief Credit Officer, providing independence from the line of business. Regional Credit manages credit activities within each region, underwriting borrowing relationships over certain dollar thresholds, managing small business accounts, jointly approving loans over the banking division's lending authority, and ensuring that loan administration processes for each banking division are sound and appropriate.

MAD was established in 2011 to better execute aggressive resolution strategies for problem credits through workouts, modifications and asset dispositions, allowing lenders to focus on developing new relationships and expand existing relationships. MAD team members possess the specialized skill set to efficiently execute workouts and dispositions.

Synovus has established the ALL Oversight Council to review and approve the adequacy of the allowance and ALL methodology. The ALL Oversight Council includes the Chief Risk Officer, Chief Credit Officer, Chief Financial Officer, Chief Accounting Officer, the Senior Director of Enterprise Risk Management, and the Senior Director of Loan Review. The Council meets at least on a quarterly basis. The allowance adequacy and the ALL methodology are reviewed by the Audit Committee of the Board of Directors on at least a quarterly basis. The Model Risk Management department reviews the ALL methodology on an annual basis and prior to implementation of model changes.

Synovus maintains a centralized Retail Lending Center, reporting to the Chief Community Banking Officer where Consumer loans are centrally processed, scored, and analyzed. This structure enhances the control environment, drives efficiencies, and provides a more consistent overall customer experience.

Compliance Risk

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice. They also include basic prudential banking requirements and specific areas such as the prevention of money laundering and terrorist financing.

The Regulatory Compliance Risk Committee was formed to assist the Board and management in overseeing the management of overall compliance risk, development and implementation of policy, and ensuring that compliance issues are resolved effectively and expeditiously. The Committee is made up of senior management from the business lines, risk management, legal, human resources, and compliance functions and specifically provides oversight for the Corporate Compliance Policy and Programs, BSA/AML Policy and Programs, new and modified products and services and compliance examination exceptions throughout the Company. Written policies contain the principles to be followed by management and staff of the banking divisions, subsidiaries and business lines throughout the Company and explain and direct the processes by which risks are identified and managed. The individual policies guide the Company's compliance functions and provide for monitoring, training, and risk assessments.

Operational Risk

Synovus aims to avoid and reduce unexpected loss through judicious risk management by instilling a proactive and structured approach to operational risk management. The Operational Risk Committee is responsible for providing oversight of the operational risk function to ensure there are effective processes to assess, monitor and mitigate operational risk. Additionally, the Operational Risk Committee is the approval vehicle for the ORM Framework. Specific responsibilities include (1) providing a forum for addressing operational issues that require coordination and/or cooperation of multiple operational groups; (2) the identification and prioritization of operational risk initiatives; (3) the review of significant operational risk exposures and their conformance to Synovus' stated operational risk objectives; (4) assembling ad hoc committees to address key areas of operational risk identified by the committee and (5) annually reviewing the risk metrics for ongoing pertinence to the risk management framework.

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Operational Risk Management is responsible for assessing systems and processes designed and implemented by management, promoting operating efficiency and encouraging compliance with laws, regulations and internal policies to ensure they are adequately designed, controlled and functioning effectively.

Business Units and Support Functions are accountable for ensuring that the Operational Risk Management Policy is properly communicated and understood within their respective organizational units. Business Units are also responsible for identifying and reporting operational risk trends that require resolution, participating in risk assessments, responding to changes in risk metrics and to implement corrective actions and new risk solutions (policies, technology, process change, personnel).

ORM has developed an array of program tools to assists business units in effectively managing operational risk. The program tools will ensure standardized implementation of the ORM Framework across the enterprise. ORM Program tools include Risk Control Self-Assessment (RCSA), Issue Tracking, Loss Data Management and Incident Response.

Strategic Risk

The Strategic Risk Committee is charged with identifying key strategic risks which might threaten the strategic direction and/or long-term viability of Synovus, bringing those risks to the attention of the appropriate Synovus decision-making body, and ensuring Synovus puts in place activities designed to address those risks. This committee is made up of all members of executive management, who look beyond their functional areas of responsibility and take a holistic view of the organization and the environment in which it operates.

Competition

The financial services industry is highly competitive and could become more competitive as a result of recent and ongoing legislative, regulatory and technological changes, and continued consolidation and economic turmoil within the financial services industry. The ability of nonbanking financial institutions to provide services previously limited to commercial banks also has intensified competition. Our bank subsidiary and wholly-owned non-bank subsidiaries compete actively with national and state banks, savings and loan associations and credit unions and other nonbank financial institutions, including securities brokers and dealers, investment advisory firms, mortgage companies, insurance companies, trust companies, finance companies, leasing companies, mortgage companies and certain governmental agencies, all of which actively engage in marketing various types of loans, deposit accounts and other financial services. These competitors have been successful in developing products that are in direct competition with or are alternatives to the banking services offered by traditional banking institutions. Our ability to deliver strong financial performance will depend in part on our ability to expand the scope of, and effectively deliver, products and services, which will allow us to meet the changing needs of our customers.

As of December 31, 2012, we were the second largest bank holding company headquartered in Georgia, based on assets. Customers for financial services are generally influenced by convenience, quality of service, personal contacts, price of services and availability of products. Although our market share varies in different markets, we believe that our community-focused relationship banking approach enables us to compete effectively with other banks and thrifts in their relevant market areas.

Employees

As of December 31, 2012, Synovus had 4,963 employees compared to 5,224 employees at December 31, 2011.

Supervision, Regulation and Other Factors

Like all bank holding companies and financial holding companies, we are regulated extensively under federal and state law. In addition, Synovus Bank and certain of our non-bank subsidiaries are subject to regulation under federal and state law. The following discussion sets forth some of the elements of the bank regulatory framework applicable to us and certain of our subsidiaries. The regulatory framework is intended primarily for the protection of depositors and the Deposit Insurance Fund and not for the protection of security holders and creditors. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions.

General

Bank holding companies and financial holding companies are subject to supervision and regulation by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act. In addition, the GA DBF regulates holding companies that own Georgia-charted banks under the bank holding company laws of the State of Georgia.

Synovus Bank, which is not a member of the Federal Reserve System, is subject to primary regulation and examination by the Federal Deposit Insurance Corporation, which we refer to as the FDIC, and by its state banking regulator, the GA DBF. Numerous other federal and state laws, as well as regulations promulgated by the Federal Reserve Board, the state banking regulator and the FDIC govern almost all aspects of the operations of Synovus Bank. Synovus Trust Company, a subsidiary of Synovus Bank that provides trust services, is organized as

a national bank and thus is subject to regulation and supervision by the Office of the Comptroller of the Currency. Various federal and state bodies regulate and supervise our non-bank subsidiaries including our brokerage, investment advisory, insurance agency and processing operations. These include, but are not limited to, the SEC, the Financial Industry Regulatory Authority, federal and state banking regulators and various state regulators of insurance and brokerage activities.

In addition, the Dodd-Frank Act, which is discussed in greater detail below, established the CFPB, a new federal agency with broad authority to regulate the offering and provision of consumer financial products. Rulemaking authority for a range of consumer financial protection laws (such as the Truth in Lending Act, the Electronic Funds Transfer Act and the Real Estate Settlement Procedures Act) transferred from the prudential regulators to the CFPB on July 21, 2011. The CFPB has the authority to supervise and examine depository institutions with more than $10 billion in assets for compliance with these federal consumer laws. The authority to supervise and examine depository institutions with $10 billion or less in assets for compliance with federal consumer laws remains largely with those institutions' primary regulators. However, the CFPB may participate in examinations of these smaller institutions on a “sampling basis” and may refer potential enforcement actions against such institutions to their primary regulators. The CFPB also has regulatory and examination authority over certain nonbank institutions that offer consumer financial products. The Dodd-Frank Act identifies a number of covered nonbank financial institution, and also authorizes the CFPB to identify additional institutions that will be subject to its jurisdiction.

Permitted Activities

Under the Bank Holding Company Act, a bank holding company is generally permitted to engage in, or acquire direct or indirect control of more than 5 percent of the voting shares of, any company engaged in the following activities:

- banking or managing or controlling banks;
- furnishing services to or performing services for our subsidiaries; and
- any activity that the Federal Reserve Board determines to be so closely related to banking as to be a proper incident to the business of banking, including:
- factoring accounts receivable;
- making, acquiring, brokering or servicing loans and usual related activities;
- leasing personal or real property;
- operating a non-bank depository institution, such as a savings association;
- performing trust company functions;
- providing financial and investment advisory activities;
- conducting discount securities brokerage activities;
- underwriting and dealing in government obligations and money market instruments;
- providing specified management consulting and counseling activities;
- performing selected data processing services and support services;
- acting as agent or broker in selling credit life insurance and other types of insurance in connection with credit transaction;
- performing selected insurance underwriting activities;
- providing certain community development activities (such as making investments in projects designed primarily to promote community welfare); and
- issuing and selling money orders and similar consumer-type payment instruments.

The Federal Reserve Board has the authority to order a bank holding company or its subsidiaries to terminate any of these activities or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that the bank holding company's continued ownership, activity or control constitutes a serious risk to the financial safety, soundness or stability of it or any of its bank subsidiaries.

Under the Bank Holding Company Act, a bank holding company may file an election with the Federal Reserve Board to be treated as a financial holding company and engage in an expanded list of financial activities. The election must be accompanied by a certification that the company's insured depository institution subsidiary is “well capitalized” and “well managed.” Additionally, the Community Reinvestment Act of 1977 rating of the bank holding company's subsidiary bank(s) must be satisfactory or better. We have made such an election and are treated as a financial holding

company. As such, we may engage in activities that are financial in nature or incidental or complementary to financial activities, including insurance underwriting, securities underwriting and dealing, and making merchant banking investments in commercial and financial companies. If our banking subsidiary ceases to be “well capitalized” or “well managed” under applicable regulatory standards, the Federal Reserve Board may, among other things, place limitations on our ability to conduct these broader financial activities or, if the deficiencies persist, require us to divest the banking subsidiary. In addition, if our banking subsidiary receives a rating of less than satisfactory under the Community Reinvestment Act, we would be prohibited from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies. If, after becoming a financial holding company and undertaking activities not permissible for a bank holding company, the company fails to continue to meet any of the prerequisites

for financial holding company status, including those described above, the company must enter into an agreement with the Federal Reserve Board to comply with all applicable capital and management requirements. If the company does not return to compliance within 180 days, the Federal Reserve may order the company to divest its subsidiary bank or the company may discontinue or divest investments in companies engaged in, activities permissible only for a bank holding company that has elected to be treated as a financial holding company.

Actions by Federal and State Regulators

Like all bank and financial holding companies, we are regulated extensively under federal and state law. Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, state banking regulators, the Federal Reserve, and separately the FDIC as the insurer of bank deposits, have the authority to compel or restrict certain actions on our part if they determine that we have insufficient capital or other resources, or are otherwise operating in a manner that may be deemed to be inconsistent with safe and sound banking practices. Under this authority, our bank regulators can require us to enter into informal or formal supervisory agreements, including board resolutions, MOUs, written agreements and consent or cease and desist orders, pursuant to which we would be required to take identified corrective actions to address cited concerns and to refrain from taking certain actions.

During 2009, as a result of losses that we had incurred during the economic downturn and due to our high level of credit losses and non-performing assets incurred, we entered into an MOU with the Federal Reserve Bank of Atlanta and the Georgia Commissioner, pursuant to which we agreed to implement plans that are intended to, among other things, minimize credit losses and reduce the amount of our distressed assets, limit and manage our concentrations in commercial loans, improve our credit risk management and related policies and procedures, address liquidity management and current and future capital requirements, strengthen enterprise risk management practices, and provide for succession planning for key corporate and regional management positions and our board of directors. The MOU also requires that we inform and consult with the Federal Reserve Board prior to declaring and paying any future dividends, and obtain the prior approval of the Federal Reserve Bank of Atlanta and the Georgia Commissioner prior to increasing the quarterly cash dividend on our Common Stock above $0.01 per share.

In addition, Synovus Bank is presently subject to an MOU with the Georgia Commissioner and the FDIC that is substantially similar in substance and scope to the holding company memorandum of understanding described above. The Synovus Bank MOU also requires that Synovus Bank obtain approval from the Georgia Commissioner and the FDIC prior to paying any cash dividends to Synovus and provides that we update our long-term strategic plan to reflect the Charter Consolidation and the various actions we have otherwise agreed to implement under the memorandum of understanding. Also, as a result of recent compliance exams, Synovus Bank entered into an informal written agreement with the FDIC relating to certain compliance matters. Under this agreement, Synovus Bank is required to implement written action plans, policies and procedures to address and remediate identified compliance concerns and furnish written quarterly progress reports to the FDIC.

If we are unable to comply with the terms of our current supervisory agreements, or if we become subject to and are unable to comply with the terms of any future regulatory actions or directives, supervisory agreements, or orders, then we could become subject to additional, heightened supervisory actions and orders, possibly including consent orders, prompt corrective action restrictions and/or other regulatory actions, including prohibitions on the payment of dividends on our Common Stock and Series A Preferred Stock. If our regulators were to take such additional supervisory actions, then we could, among other things, become subject to significant restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. The terms of any such supervisory action could have a material negative effect on our business, reputation, operating flexibility, financial condition, and the value of our Common Stock. See “Part I - Item 1A. Risk Factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock” of this Report.

Change in Control

Subject to certain exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with regulations promulgated thereunder, require Federal Reserve Board approval prior to any person or company

acquiring "control" of a bank or bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25 percent or more of any class of voting securities, and rebuttably presumed to exist if a person acquires 10 percent or more, but less than 25 percent, of any class of voting securities and either the company has registered securities under Section 12 of the Exchange Act or no other person owns a greater percentage of that class of voting securities immediately after the transaction. In certain cases, a company may also be presumed to have control under the Bank Holding Company Act if it acquires 5 percent or more of any class of voting securities. Our Common Stock is registered under Section 12 of the Exchange Act.

On September 22, 2008, the Federal Reserve Board issued a policy statement on minority equity investments in banks and bank holding companies, that permits investors to (1) acquire up to 33 percent of the total equity of a target bank or bank holding

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company, subject to certain conditions, including (but not limited to) that the investing firm does not acquire 15 percent or more of any class of voting securities, and (2) designate at least one director, without triggering the various regulatory requirements associated with control.

Standards for Safety and Soundness

The Federal Deposit Insurance Act requires the federal bank regulatory agencies to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions relating to: (1) internal controls; (2) information systems and audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate risk exposure; and (6) asset quality. The agencies also must prescribe standards for asset quality, earnings, and stock valuation, as well as standards for compensation, fees and benefits. The federal banking agencies have adopted regulations and Interagency Guidelines Prescribing Standards for Safety and Soundness to implement these required standards. These guidelines set forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines that a bank fails to meet any standards prescribed by the guidelines, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

Dividends

Synovus is a legal entity separate and distinct from its subsidiaries. Under the laws of the State of Georgia, we, as a business corporation, may declare and pay dividends in cash or property unless the payment or declaration would be contrary to restrictions contained in our Articles of Incorporation, or unless, after payment of the dividend, we would not be able to pay our debts when they become due in the usual course of our business or our total assets would be less than the sum of our total liabilities. In addition, we are also subject to federal regulatory capital requirements that effectively limit the amount of cash dividends, if any that we may pay.

Under the Federal Reserve Board guidance reissued on February 24, 2009, the Federal Reserve may restrict our ability to pay dividends on any class of capital stock or any other Tier 1 capital instrument if we are not deemed to have a strong capital position. In addition, we may have to reduce or eliminate dividends if:

- our net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;
- our prospective rate of earnings retention is not consistent with the holding company's capital needs and overall current and prospective financial condition; or
- we will not meet, or are in danger of not meeting, the minimum regulatory capital adequacy ratios.

On November 17, 2010, the Federal Reserve Board issued further guidance noting, among other things, that bank holding companies should consult with the Federal Reserve before taking any actions that could result in a diminished capital bases, including increasing dividends.

As a result of the MOU described above and in “Item A. Risk Factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock” in this Report, we are required to inform the Federal Reserve Board in advance of declaring or paying any future dividends, and the Federal Reserve Board could decide at any time that paying any dividends on our Common Stock or Series A Preferred Stock could be an unsafe or unsound banking practice.The Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has in some cases discouraged payment unless both asset quality and capital are very strong. In addition, pursuant to the terms of the Synovus Bank MOU, Synovus Bank cannot pay any cash dividends without the approval of the FDIC and the Georgia Commissioner. Additionally, we are subject to contractual restrictions that limit our ability to pay dividends if there is an event of default under such contract.

The primary sources of funds for our payment of dividends to our shareholders are cash on hand and dividends from Synovus Bank and our non-bank subsidiaries. Various federal and state statutory provisions and regulations limit the amount of dividends that Synovus Bank and our non-banking subsidiaries may pay. Synovus Bank is a Georgia bank.

Under the regulations of the GA DBF, a Georgia bank must have approval of the GA DBF to pay cash dividends if, at the time of such payment:

- the ratio of Tier 1 capital to adjusted total assets is less than 6 percent;
- the aggregate amount of dividends to be declared or anticipated to be declared during the current calendar year exceeds
50 percent of its net after-tax profits for the previous calendar year; or
- its total classified assets in its most recent regulatory examination exceeded 80 percent of its Tier 1 capital plus its allowance for loan losses, as reflected in the examination.

In addition, the Georgia Financial Institutions Code contains restrictions on the ability of a Georgia bank to pay dividends other than from retained earnings without the approval of the GA DBF.

The Federal Deposit Insurance Corporation Improvement Act generally prohibits a depository institution from making any capital distribution, including payment of a dividend, or paying any management fee to its holding company if the institution would thereafter be undercapitalized. In addition, federal banking regulations applicable to us and our bank subsidiary require minimum levels of capital that limit the amounts available for payment of dividends. In addition, many regulators have a policy, but not a requirement, that a dividend payment should not exceed net income to date in the current year. Finally, the ability of banks and bank holding companies to pay dividends, and the contents of their respective dividend policies, could be impacted by a range of changes imposed by the Dodd-Frank Act, many of which will require implementing rules to become effective.

See “Part II - Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities - Dividends” and “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Parent Company” of this Report for further information.

Capital

We are required to comply with the capital adequacy standards established by the Federal Reserve Board and our bank subsidiary must comply with similar capital adequacy standards established by the FDIC. As a financial holding company, we and Synovus Bank are required to maintain capital levels required for a well capitalized institution, as defined in “Prompt Corrective Action” below.

Our Capital Requirements

The Federal Reserve Board adopted guidelines pursuant to which it assesses the adequacy of capital in examining and supervising a bank holding company or financial holding company and in analyzing applications to it under the Bank Holding Company Act. These guidelines include quantitative measures that assign risk weightings to assets and off-balance sheet items and that define and set minimum regulatory capital requirements. All bank holding companies are required to maintain Tier 1 Capital of at least 4 percent of risk-weighted assets and off-balance sheet items, Total Capital (the sum of Tier 1 Capital and Tier 2 Capital) of at least 8 percent of risk-weighted assets and off-balance sheet items and Tier 1 Capital of at least 4 percent of adjusted quarterly average assets.

Tier 1 Capital consists principally of shareholders' equity less any amounts of disallowed deferred tax assets, goodwill, other intangible assets, non-financial equity investments, and other items that are required to be deducted by the Federal Reserve Board. Tier 2 Capital consists principally of perpetual and trust preferred stock that is not eligible to be included as Tier 1 Capital, term subordinated debt, intermediate-term preferred stock and, subject to limitations, general allowances for loan and lease losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics. Average assets for this purpose do not include disallowed deferred tax assets, goodwill and any other intangible assets and investments that the Federal Reserve Board determines should be deducted from Tier 1 Capital.

This regulatory capital framework is expected to change in important respects as a result of the Dodd-Frank Act and a separate, international regulatory capital initiative known as “Basel III.” In particular, the Dodd-Frank Act eliminates Tier 1 capital treatment for most trust preferred securities after a three-year phase-in period that begins January 1, 2013. Furthermore, the current risk-based capital guidelines that apply to Synovus and its subsidiary bank are based upon the 1988 capital accord of the BCBS, a committee of central banks and bank supervisors. The Basel I standards to which U.S. banks and bank and financial holding companies are subject were implemented by the Federal Reserve. In 2008, the Federal Reserve began to phase-in capital standards based on the BCBS' second capital accord, referred to as Basel II, for large or “core” international banks (total assets of $250 billion or more or consolidated foreign exposures of $10 billion or more). Basel II emphasizes internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements. In December 2010, BCBS finalized new regulatory capital standards, known as Basel III and it was anticipated that U.S. regulators would adopt new regulatory capital requirements similar to those proposed by BCBS to be phased in for U.S. financial institutions beginning in 2013. In June of 2012, U.S. banking regulators proposed new standards to implement these capital requirements. However, on November 9, 2012, regulators announced that the implementation of these rules

would be delayed and did not provide a specific timeframe for their implementation. These standards, which are aimed at capital reform, seek to further strengthen financial institutions' capital positions by mandating a higher minimum level of common equity to be held, along with a capital conservation buffer to withstand future periods of stress. The Basel III regime does not supplant Basel II, however. The Basel II requirements focus on the appropriate allocation of capital to bank assets based on credit risk. Basel III addresses the quality of capital and introduces new capital requirements but does not purport to overrule the credit risk-based standards of Basel II.

In addition, reflecting the importance that regulators place on managing capital and other risks, on June 16, 2011, the banking agencies also issued proposed guidance on stress testing for banking organizations with more than $10 billion in total consolidated

assets. This guidance which was finalized on May 14, 2012, outlines four “high-level” principles for stress testing practices that should be a part of a banking organization's stress-testing framework. Specifically, the guidance calls for the framework to (1) include activities and exercises that are tailored to and sufficiently capture the banking organization's exposures, activities and risks; (2) employ multiple conceptually sound stress testing activities and approaches; (3) be forward-looking and flexible; and (4) be clear, actionable, well-supported, and used in the decision-making process. Moreover, the federal bank regulators have issued a series of guidance and rulemakings applicable to “large banks.” While many of these do not currently apply us due to our asset size, these issuances could impact industry capital standards and practices in many, potentially unforeseeable ways. As of December 31, 2012, our Tier 1 common equity is in excess of the minimum common equity and additional conservation buffer stipulated by these newly proposed requirements. Regardless, complying with these new capital requirements will likely affect our operations, and the extent to which we will be affected will be known with more certainty once additional clarity is provided on the underlying details of these new requirements. These new requirements have been endorsed by the U.S. banking regulators, but have not yet been translated by the regulators into official, final regulations for U.S. financial institutions. It is anticipated that the regulators will adopt new regulatory capital requirements similar to those proposed by the BCBS, and, as noted above, it was anticipated that the new requirements would be phased-in for U.S. financial institutions beginning in 2013. However, on November 9, 2012, U.S. regulators announced that the implementation of rules implementing Basel III would be delayed and regulators have not provided a specific timeframe for their implementation of these requirements. It is widely anticipated that the capital requirements for most bank and financial holding companies, as well as for most insured depository institutions, will increase, although the nature and amounts of the increase have not yet been specified.
We are also subject to new “stress testing” requirements that are designed to require banking organizations to assess the potential impact of different scenarios on their earnings, losses, and capital over a set time period, with consideration given to certain relevant factors, including the organization's condition, risks, exposures, strategies, and activities. Specifically, on October 9, 2012, regulators issued final rules implementing provisions of the Dodd-Frank Act that require banking organizations with total consolidated assets of more than $10 billion but less than $50 billion to conduct annual company-run stress tests, report the results to their primary federal regulator and the Federal Reserve Board, and publish a summary of the results. Among other things, these rules define the term “stress test,” establish stress test methodologies, set forth the form of the report that must be submitted, and require publication of a summary of results. Under the rules, stress tests must be conducted using certain scenarios (baseline, adverse and severely adverse), which the Board will publish by November 15 of each year. These new rules require a banking organization with between $10 and $50 billion in assets to conduct its first stress test using financial statement data as of September 30, 2013 and, to report the results by March 31, 2014. In addition, the rules will require such organizations to begin publicly disclosing a summary of certain stress test results (i.e., results under the “severely adverse” scenario) in 2015 with respect to the stress test conducted in the fall of 2014.
See "Part I - Item 1A. Risk Factors - If economic conditions worsen or regulatory capital rules are modified, we may be required to undertake additional strategic initiatives to improve our capital position" of this Report.

Synovus Bank's Capital Requirements

To be well-capitalized, Synovus Bank must generally maintain a Total Capital (the sum of Tier 1 Capital and Tier 2 Capital) ratio of 10 percent or greater, a Tier 1 Capital ratio of 6 percent or greater, and a leverage ratio of 5 percent or greater. For the purposes of these tests, Tier 1 Capital consists principally of shareholder's equity less any amounts of disallowed deferred tax assets, goodwill and certain core deposit intangibles. Tier 2 Capital consists of non-qualifying preferred stock, certain types of debt and the eligible portion of the allowance for loan losses.
In measuring the adequacy of capital, assets are weighted for risk at rates that generally range from zero percent to 100 percent. Certain assets, such as most cash instruments and U.S. Treasury securities, have a zero risk weighting. Others, such as certain commercial and consumer loans, have a 100 percent risk weighting. Risk weightings are also assigned for off-balance sheet items such as unfunded loan commitments. The various items are multiplied by the appropriate risk-weighting to determine risk-adjusted assets for the capital calculations. For the leverage ratio mentioned above, assets are not risk-weighted.

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Capital Ratios

Certain regulatory capital ratios for Synovus and Synovus Bank as of December 31, 2012 are shown in the following table.

Table 5 – Capital Ratios as of December 31, 2012

	Regulatory Minimums		Regulatory Minimums to be Well-Capitalized		Synovus		Synovus Bank	
Tier 1 capital ratio	4.0	%	6.0	%	13.24	%	14.88	%
Total risk-based capital ratio	8.0		10.0		16.18		16.14	
Leverage ratio	4.0		5.0		11.00		12.41	

Synovus Bank is a party to an MOU with the FDIC and the GA DBF and has agreed to maintain minimum capital ratios at specified levels higher than those otherwise required by applicable regulation as follows: Tier 1 capital to total average assets (leverage ratio) - 8% and total capital to risk-weighted assets (total risk-based capital ratio) - 10%. See “Part I - Item 1A. Risk Factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock” of this Report.

See “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources” and "Part II - Item 8. Financial Statements and Supplementary Data - Note 14 - Regulatory Capital" of this Report for further information.

Prompt Corrective Action for Undercapitalization

The Federal Deposit Insurance Corporation Improvement Act established a system of prompt corrective action to resolve the problems of undercapitalized insured depository institutions. Under this system, the federal banking regulators are required to rate insured depository institutions on the basis of five capital categories as described below. The federal banking regulators are also required to take mandatory supervisory actions and are authorized to take other discretionary actions, with respect to insured depository institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the insured depository institution is assigned. Generally, subject to a narrow exception, the Federal Deposit Insurance Corporation Improvement Act requires the banking regulator to appoint a receiver or conservator for an insured depository institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category. Under the regulations, all insured depository institutions are assigned to one of the following capital categories:

- Well Capitalized - The insured depository institution exceeds the required minimum level for each relevant capital measure. A well capitalized insured depository institution is one (1) having a total risk-based capital ratio of 10 percent or greater, (2) having a Tier 1 risk-based capital ratio of 6 percent or greater, (3) having a leverage capital ratio of 5 percent or greater, and (4) that is not subject to any order or written directive to meet and maintain a specific capital level for any capital measure.
- Adequately Capitalized - The insured depository institution meets the required minimum level for each relevant capital measure. An adequately capitalized insured depository institution is one (1) having a total risk-based capital ratio of 8 percent or greater, (2) having a Tier 1 risk-based capital ratio of 4 percent or greater, and (3) having a leverage capital ratio of 4 percent or greater, or a leverage capital ratio of 3 percent or greater if the institution is rated composite 1 under the CAMELS (Capital, Assets, Management, Earnings, Liquidity and Sensitivity to market risk) rating system; and (4) failing to meet the definition of a well capitalized bank.
- Undercapitalized - The insured depository institution fails to meet the required minimum level for any relevant capital measure. An undercapitalized insured depository institution is one (1) having a total risk-based capital ratio of less than 8 percent, (2) having a Tier 1 risk-based capital ratio of less than 4 percent, or (3) a leverage capital ratio of less

than 4 percent, or if the institution is rated a composite 1 under the CAMELS rating system, a leverage capital ratio of less than 3 percent.

- Significantly Undercapitalized - The insured depository institution is significantly below the required minimum level for any relevant capital measure. A significantly undercapitalized insured depository institution is one (1) having a total risk-based capital ratio of less than 6 percent, (2) a Tier 1 risk-based capital ratio of less than 3 percent, or (3) a leverage capital ratio of less than 3 percent.
- Critically Undercapitalized - The insured depository institution fails to meet a critical capital level set by the appropriate federal banking agency. A critically undercapitalized institution is one having a ratio of tangible equity to total assets that is equal to or less than 2 percent.

The regulations permit the appropriate federal banking regulator to downgrade an institution to the next lower category if the regulator determines after notice and opportunity for hearing or response that the institution (1) is in an unsafe or unsound condition or (2) has received and not corrected a less-than-satisfactory rating for any of the categories of asset quality, management, earnings or liquidity in its most recent examination. Supervisory actions by the appropriate federal banking regulator depend upon an institution's classification within the five categories. Our management believes that we and our bank subsidiary have the requisite capital levels to qualify as well capitalized institutions under the Federal Deposit Insurance Corporation Improvement Act regulations. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources" and "Part II - Item 8. Financial Statements and Supplementary Data - Note 14 - Regulatory Capital" of this Report for further information.

If an institution fails to remain well-capitalized, it will be subject to a variety of enforcement remedies that increase as the capital condition worsens. For instance, the Federal Deposit Insurance Corporation Improvement Act generally prohibits a depository institution from making any capital distribution, including payment of a dividend, or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized as a result. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Dividends" of this Report for further information. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions may not accept brokered deposits absent a waiver from the FDIC, are subject to growth limitations and are required to submit capital restoration plans for regulatory approval. A depository institution's holding company must guarantee any required capital restoration plan, up to an amount equal to the lesser of 5 percent of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency when the institution fails to comply with the plan. Federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator.

Deposit Insurance and Assessments

Deposits at our bank are insured by the DIF as administered by the FDIC, up to the applicable limits established by law. The Dodd-Frank Act amended the statutory regime governing the DIF. Among other things, the Dodd-Frank Act established a minimum DRR of 1.35 percent of estimated insured deposits, required that the fund reserve ratio reach 1.35 percent by September 30, 2020 and directed the FDIC to amend its regulations to redefine the assessment base used for calculating deposit insurance assessments. Specifically, the Dodd-Frank Act requires the assessment base to be an amount equal to the average consolidated total assets of the insured depository institution during the assessment period, minus the sum of the average tangible equity of the insured depository institution during the assessment period and an amount the FDIC determines is necessary to establish assessments consistent with the risk-based assessment system found in the Federal Deposit Insurance Act.

In December of 2010, the FDIC adopted a final rule setting the DRR at 2.0 percent. Furthermore, on February 7, 2011, the FDIC issued a final rule changing its assessment system from one based on domestic deposits to one based on the average consolidated total assets of a bank minus its average tangible equity during each quarter. The February 7, 2011 final rule modifies two adjustments added to the risk-based pricing system in 2009 (an unsecured debt adjustment and a brokered deposit adjustment), discontinues a third adjustment added in 2009 (the secured liability adjustment), and adds an adjustment for long-term debt held by an insured depository institution where the debt is issued by another insured depository institution. Under the February 7, 2011 final rule, the total base assessment rates will vary depending on the DIF reserve ratio. For example, for banks in the best risk category, the total base assessment rates will be between 2.5 and 9 basis points when the DIF reserve ratio is below 1.15 percent, between 1.5 and 7 basis points when the DIF reserve ratio is between 1.15 percent and 2 percent, between 1 and 6 basis points

when the DIF reserve ratio is between 2 percent and 2.5 percent and between 0.5 and 5 basis points when the DIF reserve ratio is 2.5 percent or higher.
In addition, the FDIC collects FICO deposit assessments, which is calculated off of the new assessment base established by the Dodd-Frank Act. FICO assessments are set quarterly, and was .660 (annual) basis points for all four quarters in 2012. Synovus Bank pays the deposit insurance assessment, less offset available by means of prepaid assessment credits, and pays the quarterly FICO assessments.
Notably, the Dodd-Frank Act provided temporary, unlimited deposit insurance for all noninterest-bearing transaction accounts through December 31, 2012. However, as of January 1, 2013 when this provision of the Dodd-Frank Act expired, all of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount ($250,000), for each deposit insurance ownership category. See “Part I -

Item 1A. Risk Factors - Regulation of the financial services industry continues to undergo major changes, and future legislation could increase our cost of doing business or harm our competitive position" of this Report.
On November 12, 2009, the FDIC imposed a requirement on all financial institutions to prepay three years of FDIC insurance premiums. On December 30, 2009, Synovus prepaid $188.9 million of FDIC insurance premiums for the next three years. On December 31, 2012, Synovus' prepaid FDIC insurance premiums totaled approximately $34.4 million.
With respect to brokered deposits, an insured depository institution must be well-capitalized in order to accept, renew or roll over such deposits without FDIC clearance. An adequately capitalized insured depository institution must obtain a waiver from the FDIC in order to accept, renew or roll over brokered deposits. Undercapitalized insured depository institutions generally may not accept, renew or roll over brokered deposits. See the “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Deposits” of this Report for further information.

Dodd-Frank Act; Future Changes to Legal Framework
On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which has and will continue to substantially change the regulatory framework under which we operate. The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, mortgage lending practices, registration of investment advisors and changes among the bank regulatory agencies. Among the provisions that may affect the operations of Synovus or Synovus Bank are the following:

- Creation of the CFPB with centralized authority, including examination and enforcement authority, for consumer protection in the banking industry.
- New limitations on federal preemption.
- New prohibitions and restrictions on the ability of a banking entity and nonbank financial company to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or private equity fund.
- Application of new regulatory capital requirements, including changes to leverage and risk-based capital standards and changes to the components of permissible tiered capital.
- Requirement that the company and its subsidiary bank be well capitalized and well managed in order to engage in activities permitted for financial holding companies.
- Changes to the assessment base for deposit insurance premiums.
- Permanently raising the FDIC's standard maximum insurance amount to $250,000.
- Repeal of the prohibition on the payment of interest on demand deposits, effective July 21, 2011, thereby permitting depository institutions to pay interest on business transaction and other accounts.
- Restrictions on compensation, including a prohibition on incentive-based compensation arrangements that encourage inappropriate risk by taking covered financial institutions and are deemed to be excessive, or that may lead to material losses.
- Requirement that sponsors of asset-backed securities retain a percentage of the credit risk underlying the securities.
- Requirement that banking regulators remove references to and requirements of reliance upon credit ratings from their regulations and replace them with appropriate alternatives for evaluating creditworthiness.

Some of these and other major changes, such as the expiration of the unlimited insurance coverage for noninterest-bearing demand transaction accounts, which occurred on December 31, 2012, could materially impact the profitability of our business, the value of assets we hold or the collateral available for our loans, require changes to business practices or force us to discontinue businesses and expose us to additional costs, taxes, liabilities, enforcement actions and reputational risk. Many of these provisions became effective upon enactment of the Dodd-Frank Act, while others are subject to further study, rule-making, and the discretion of regulatory bodies. For example, the Dodd-Frank Act contains provisions (known as the “Volcker Rule”) that are intended to restrict the ability of a bank to engage in proprietary trading that is viewed as risking the financial stability of the institution. “Proprietary trading” is defined in the Dodd-Frank Act to mean engaging as a principal for the trading account of a banking organization or supervised nonbank financial company in any transaction to purchase or sell, or otherwise acquire or

dispose of: (1) any security; (2) any derivative; (3) any contract of sale of a commodity for future delivery; (4) any option on any such security, derivative, or contract; or (5) any other security or financial instrument that the federal regulators may determine by regulation. A proposal to implement these restrictions was issued in 2011; however, the statutory deadline for issuing the final rule has passed. It is anticipated that a final version of these rules will be issued in 2013.

In light of these significant changes and the discretion afforded to federal regulators, we cannot fully predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on Synovus' businesses or its ability to pursue future business opportunities. Additional regulations resulting from the Dodd-Frank Act may materially adversely affect Synovus' business, financial condition or results of operations. See “Part 1 - Item 1A. Risk Factors - Regulation of the financial services

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industry is undergoing major changes, and future legislation could increase our cost of doing business or harm our competitive position" of this Report.

Additional changes to the laws and regulations applicable to us are frequently proposed at both the federal and state levels. The likelihood, timing, and scope of any such change and the impact any such change may have on us are impossible to determine with any certainty.

Consumer Protection Regulations

Retail activities of banks are subject to a variety of statutes and regulations designed to protect consumers, which are enforced at the federal level by the CFPB. Interest and other charges collected or contracted for by banks are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to federal laws applicable to credit transactions, such as:

- the federal Truth-In-Lending Act and Regulation Z , governing disclosures of credit terms to consumer borrowers;
- the Home Mortgage Disclosure Act and Regulation C, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- the Equal Credit Opportunity Act and Regulation B, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Fair Credit Reporting Act and Regulation V, governing the use and provision of information to consumer reporting agencies;
- the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- the guidance of the various federal agencies charged with the responsibility of implementing such federal laws.

Deposit operations also are subject to:

- the Truth in Savings Act and Regulation DD, which requires disclosure of deposit terms to consumers;
- Regulation CC, which relates to the availability of deposit funds to consumers;
- the Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and
- the Electronic Funds Transfer Act and Regulation E, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services, which the CFPB is in the process of expanding to include a new compliance regime that will govern electronic transfers initiated by consumers in the U.S. to recipients in foreign countries.

Rulemaking authority for these and other consumer financial protection laws transferred from the prudential regulators to the CFPB on July 21, 2011. It is anticipated that many of the foregoing consumer laws and regulations will change as a result of the Dodd-Frank Act and other developments.

For example, the CFPB recently issued rules that are likely to impact our residential mortgage lending practices, and the residential mortgage market generally, including rules that implement the "ability-to-repay" requirement and provide protection from liability for "qualified mortgages," as required by the Dodd-Frank Act. The ability-to-repay rule, which will take effect on January 10, 2014, requires lenders to consider, among other things, income, employment status, assets, employment, payment amounts, and credit history before approving a mortgage, and provides a compliance "safe harbor" for lenders that issue certain "qualified mortgages." The rules define a "qualified mortgage" to have certain specified characteristics, and generally prohibit loans with negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years from being qualified mortgages. The rule also establishes general underwriting criteria for qualified mortgages, including that monthly payments be calculated based on the highest payment that will apply in the first five years of the loan and that the borrower have a total debt-to-income ratio that is less than or equal to 43 percent. While "qualified mortgages" will generally be afforded safe harbor status, a rebuttable presumption of compliance will attach to mortgages that also meet the definition of a "higher priced mortgage" (which are generally subprime loans). As the definition of "qualified mortgage" provides either a safe harbor or a rebuttable presumption of compliance with the ability-to-repay requirement, the definition is expected to establish the parameters for the majority of consumer mortgage lending in the U.S.

Reflecting the CFPB's focus on the residential mortgage lending market, the CFPB also recently issued rules to implement requirements of the Dodd-Frank Act pertaining to mortgage loan origination (including with respect to loan originator compensation and loan originator qualifications) and has proposed, but not finalized, integrated mortgage disclosure rules that will replace and combine certain existing requirements under the Truth in Lending Act and Real Estate Settlement Procedures Act.

In addition, there are a number of significant consumer protection standards that apply to functional areas of operation (rather than applying only to loan or deposit products). For example, in June 2010, the Federal Reserve issued a final rule establishing

standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The Federal Reserve and FDIC also recently enacted consumer protection regulations related to automated overdraft payment programs offered by financial institutions. The FDIC has also issued rules aimed at protecting consumer in connection with retail foreign exchange transactions. In recent years, the Federal Reserve and CFPB have made a number of changes to Regulation E. Among these changes is the November 2009 amendment, which prohibits financial institutions, including Synovus Bank, from charging consumers fees for paying overdrafts on automated teller machine and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those types of transactions. Regulation E amendments also require financial institutions to provide consumers with a notice that explains the financial institution's overdraft services, including the fees associated with the service and the consumer's choices. The amendments to Regulation E became effective on August 1, 2010.

In November 2010, the FDIC supplemented the Regulation E amendments by requiring FDIC-supervised institutions, including Synovus Bank, to implement additional changes relating to automated overdraft payment programs by July 1, 2011. The most significant of these changes require financial institutions to monitor overdraft payment programs for “excessive or chronic” customer use and undertake “meaningful and effective” follow-up action with customers that overdraw their accounts more than six times during a rolling 12-month period. The additional guidance also imposes daily limits on overdraft charges, requires institutions to review and modify check-clearing procedures, prominently distinguish account balances from available overdraft coverage amounts and requires increased board and management oversight regarding overdraft payment programs. The CFPB has also amended Regulation E to establish rules for a new category of consumer-initiated electronic transfers known as “remittance transfers,” which will require financial institutions to provide consumers that transfer funds to overseas recipients with detailed disclosures and to meet other requirements.

In addition, it is anticipated that the CFPB will engage in numerous other rulemakings in the near term that may impact our business, as the CFPB has indicated that, in addition to specific statutory mandates, it is working on a wide range of initiatives to address issues in markets for consumer financial products and services. For example, the CFPB has recently requested comments regarding an effort to “streamline” consumer regulations. and has established a database to collect, track and make public consumer complaints, including complaints against individual financial institutions. We cannot predict the effect that being regulated by a new, additional regulatory authority focused on consumer financial protection, or any new implementing regulations or revisions to existing regulations that may result from the establishment of this new authority, will have on Synovus' businesses. Additional regulations resulting from the Dodd-Frank Act may materially adversely affect Synovus' business, financial condition or results of operations. See “Part 1 - Item 1A. Risk Factors - Regulation of the financial services industry continues to undergo major changes, and future legislation could increase our cost of doing business or harm our competitive position” of this Report.

In addition, Synovus Bank may also be subject to certain state laws and regulations designed to protect consumers.

Anti-Money Laundering; USA PATRIOT Act; Office of Foreign Assets Control

Financial institutions must maintain anti-money laundering programs that include established internal policies, procedures, and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. We are prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence in dealings with foreign financial institutions and foreign customers. We also must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions. Recent laws provide law enforcement authorities with increased access to financial information maintained by banks. Anti-money laundering obligations have been substantially strengthened as a result of the USA PATRIOT Act, enacted in 2001 and renewed in 2006.

The USA PATRIOT Act amended, in part, the Bank Secrecy Act and provides for the facilitation of information sharing among governmental entities and financial institutions for the purpose of combating terrorism and money laundering. The statute also creates enhanced information collection tools and enforcement mechanics for the U.S. government, including: (1) requiring standards for verifying customer identification at account opening;

(2) promulgating rules to promote cooperation among financial institutions, regulators, and law enforcement entities in identifying parties that may be involved in terrorism or money laundering; (3) requiring reports by nonfinancial trades and businesses filed with FinCEN for transactions exceeding $10,000; and (4) mandating the filing of suspicious activities reports if a bank believes a customer may be violating U.S. laws and regulations. The statute also requires enhanced due diligence requirements for financial institutions that administer, maintain, or manage private bank accounts or correspondent accounts for non-U.S. persons.

The Federal Bureau of Investigation may send bank regulatory agencies lists of the names of persons suspected of involvement in terrorist activities. Our banks can be requested to search their records for any relationships or transactions with persons on those lists and may be required to report any identified relationships or transactions. Furthermore, OFAC, is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes, and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, including the Specially Designated Nationals and Blocked Persons. If we find a name on any transaction,

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account or wire transfer that is on an OFAC list, we must freeze such account, file a suspicious activity report and notify the appropriate authorities.

Bank regulators routinely examine institutions for compliance with these anti-money laundering obligations and recently have been active in imposing “cease and desist” and other regulatory orders and money penalty sanctions against institutions found to be in violation of these requirements. In addition, FinCEN is in the process of establishing new regulations that would require financial institutions to obtain beneficial ownership information for certain accounts, however, it has yet to establish final regulations on this topic.

Commitments to Synovus Bank

Under the Federal Reserve Board's policy, we are expected to serve as a source of financial strength to Synovus Bank and to commit resources to support Synovus Bank in circumstances when we might not do so absent such policy. Under the Bank Holding Company Act, the Federal Reserve Board may require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary, other than a nonbank subsidiary of a bank, upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness or stability of any depository institution subsidiary. Further, the Federal Reserve Board has discretion to require a bank holding company to divest itself of any bank or non-bank subsidiaries if the agency determines that any such divestiture may aid the depository institution's financial condition. In addition, any loans by us to Synovus Bank would be subordinate in right of payment to depositors and to certain other indebtedness of the bank. Notably, the Dodd-Frank Act codified the Federal Reserve's “source of strength” doctrine; this statutory change became effective July 21, 2011. In addition to the foregoing requirements, the Dodd-Frank Act's new provisions authorize the Federal Reserve to require a company that directly or indirectly controls a bank to submit reports that are designed both to assess the ability of such company to comply with its “source of strength” obligations and to enforce the company's compliance with these obligations. As of the date of this Report, the Federal Reserve and other federal banking regulators have not yet issued rules implementing this requirement, though it is understood that regulators are engaged in a joint effort to produce these rules.

If we were to enter bankruptcy or become subject to the orderly liquidation process established by the Dodd-Frank Act, any commitment by us to a federal bank regulatory agency to maintain the capital of Synovus Bank would be assumed by the bankruptcy trustee or the FDIC, as appropriate, and entitled to a priority of payment. In addition, the FDIC provides that any insured depository institution generally will be liable for any loss incurred by the FDIC in connection with the default of, or any assistance provided by the FDIC to, a commonly controlled insured depository institution. Synovus Bank is an FDIC-insured depository institution and thus subject to these requirements.

Transactions with Affiliates and Insiders

A variety of legal limitations restrict Synovus Bank from lending or otherwise supplying funds or in some cases transacting business with us or Synovus' non-bank subsidiaries. Synovus Bank is subject to Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Regulation W. Section 23A places limits on the amount of “covered transactions,” which include loans or extensions of credit to, investments in or certain other transactions with, affiliates as well as the amount of advances to third parties collateralized by the securities or obligations of affiliates. The aggregate of all covered transactions is limited to 10 percent of the bank's capital and surplus for any one affiliate and 20 percent for all affiliates. Furthermore, within the foregoing limitations as to amount, certain covered transactions must meet specified collateral requirements ranging from 100 to 130 percent. Also, Synovus Bank is prohibited from purchasing low quality assets from any of its affiliates. Section 608 of the Dodd-Frank Act broadens the definition of “covered transaction” to include derivative transactions and the borrowing or lending of securities if the transaction will cause a bank to have credit exposure to an affiliate. The expanded definition of “covered transaction” also includes the acceptance of debt obligations issued by an affiliate as collateral for a bank's loan or extension of credit to a third-party. Furthermore, reverse repurchase transactions will be viewed as extensions of credit (instead of asset purchases) and thus become subject to collateral requirements. While final amendments to Regulation W have not yet been adopted, the expanded definitions took effect on July 21, 2012 under the terms of the Dodd-Frank Act.

Section 23B, among other things, prohibits an institution from engaging in certain transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions with nonaffiliated companies. Except for limitations on low quality asset purchases and transactions that are deemed to be unsafe or unsound, Regulation W generally excludes affiliated depository institutions from treatment as affiliates. Transactions between a bank and any of its subsidiaries that are engaged in certain financial activities may be subject to the affiliated transaction limits. The Federal Reserve Board also may designate bank subsidiaries as affiliates.

Banks are also subject to quantitative restrictions on extensions of credit to executive officers, directors, principal shareholders, and their related interests. In general, such extensions of credit (1) may not exceed certain dollar limitations, (2) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions

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with third parties and (3) must not involve more than the normal risk of repayment or present other unfavorable features. Certain extensions of credit also require the approval of a bank's board of directors.

Regulatory Examinations

Federal and state banking agencies require us and our subsidiary bank to prepare annual reports on financial condition and to conduct an annual audit of financial affairs in compliance with minimum standards and procedures. Synovus Bank, and in some cases we and our nonbank affiliates, must undergo regular on-site examinations by the appropriate regulatory agency, which will examine for adherence to a range of legal and regulatory compliance responsibilities. A bank regulator conducting an examination has complete access to the books and records of the examined institution. The results of the examination are confidential. The cost of examinations may be assessed against the examined institution as the agency deems necessary or appropriate.

Community Reinvestment Act

The Community Reinvestment Act requires the FDIC to evaluate the record of Synovus Bank in meeting the credit needs of its local community, including low and moderate income neighborhoods. These evaluations are considered in evaluating mergers, acquisitions, and applications to open a branch or facility. Failure to adequately meet these criteria could result in additional requirements and limitations on the bank.

Commercial Real Estate Lending

Lending operations that involve concentrations of commercial real estate loans are subject to enhanced scrutiny by federal banking regulators. The regulators have advised financial institutions of the risks posed by commercial real estate lending concentrations. Such loans generally include land development, construction loans and loans secured by multifamily property, and nonfarm, nonresidential real property where the primary source of repayment is derived from rental income associated with the property. The guidance prescribes the following guidelines for examiners to help identify institutions that are potentially exposed to concentration risk and may warrant greater supervisory scrutiny:

- total reported loans for construction, land development and other land represent 100 percent or more of the institutions total capital, or
- total commercial real estate loans represent 300 percent or more of the institution's total capital, and the outstanding balance of the institution's commercial real estate loan portfolio has increased by 50 percent or more during the prior 36 months.

In October 2009, the federal banking agencies issued additional guidance on commercial real estate lending that emphasizes these considerations.

In addition, the Dodd-Frank Act contains provisions that may impact our business by reducing the amount of our commercial real estate lending and increasing the cost of borrowing, including rules relating to risk retention of securitized assets. Section 941 of the Dodd-Frank Act requires, among other things, a loan originator or a securitizer of asset-backed securities to retain a percentage of the credit risk of securitized assets. The banking agencies have jointly issued a proposed rule to implement these requirements but have yet to issue final rules.

Branching

The Dodd-Frank Act substantially amended the legal framework that had previously governed interstate branching activities. Formerly, under the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994, a bank's ability to branch into a particular state was largely dependent upon whether the state “opted in” to de novo interstate branching. Many states did not “opt-in,” which resulted in branching restrictions in those states. The Dodd-Frank Act removed the “opt-in” concept and permits banks to engage in de novo branching outside of their home states, provided that the laws of the target state permit banks chartered in that state to branch within that state. Accordingly, de novo interstate branching by Synovus Bank is subject to these new standards. All branching in which Synovus Bank may engage remains subject to regulatory approval and adherence to applicable legal and regulatory requirements.

Anti-Tying Restrictions

In general, a bank may not extend credit, lease, sell property, or furnish any services or fix or vary the consideration for them on the condition that (1) the customer obtain or provide some additional credit, property, or services from or to the bank or bank holding company or their subsidiaries, or (2) the customer not obtain some other credit, property, or services from a competitor, except to the extent reasonable conditions are imposed to assure the soundness of the credit extended. A bank may, however, offer combined-balance products and may otherwise offer more favorable terms if a customer obtains two or more traditional bank products. Also, certain foreign transactions are exempt from the general rule.

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Privacy and Credit Reporting

Financial institutions are required to disclose their policies for collecting and protecting confidential customer information. Customers generally may prevent financial institutions from sharing nonpublic personal financial information with nonaffiliated third parties, with some exceptions, such as the processing of transactions requested by the consumer. Financial institutions generally may not disclose certain consumer or account information to any nonaffiliated third-party for use in telemarketing, direct mail marketing or other marketing. Federal and state banking agencies have prescribed standards for maintaining the security and confidentiality of consumer information, and we are subject to such standards, as well as certain federal and state laws or standards for notifying consumers in the event of a security breach.

Synovus Bank utilizes credit bureau data in underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act and Regulation V on a uniform, nationwide basis, including credit reporting, prescreening, and sharing of information between affiliates and the use of credit data. The Fair and Accurate Credit Transactions Act, which amended the Fair Credit Reporting Act, permits states to enact identity theft laws that are not inconsistent with the conduct required by the provisions of that Act.

Enforcement Powers

Synovus Bank and its “institution-affiliated parties,” including management, employees, agents, independent contractors and consultants, such as attorneys and accountants and others who participate in the conduct of the institution's affairs, are subject to potential civil and criminal penalties for violations of law, regulations or written orders of a government agency. Violations can include failure to timely file required reports, filing false or misleading information or submitting inaccurate reports. Civil penalties may be as high as $1,000,000 a day for such violations and criminal penalties for some financial institution crimes may include imprisonment for 20 years. Regulators have flexibility to commence enforcement actions against institutions and institution-affiliated parties, and the FDIC has the authority to terminate deposit insurance. When issued by a banking agency, cease-and-desist and similar orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions determined to be appropriate by the ordering agency. The federal banking agencies also may remove a director or officer from an insured depository institution (or bar them from the industry) if a violation is willful or reckless.

We have entered into an MOU with the Federal Reserve Bank of Atlanta and the Georgia Commissioner pursuant to which we have implemented plans that are intended to, among other things, minimize credit losses and reduce the amount of our distressed assets, limit and manage our concentrations in commercial real estate loans, improve our credit risk management and related policies and procedures, address liquidity management and current and future capital requirements, strengthen enterprise risk management practices, and provide for succession planning for key corporate and regional management positions. Additionally, Synovus Bank is presently subject to an MOU with the Georgia Commissioner and the FDIC that is substantially similar in substance and scope to the holding company memorandum of understanding described above and, as a result of recent compliance exams, Synovus Bank has entered into an informal written agreement with the FDIC relating to certain compliance matters. See “Part I - Item 1A. Risk Factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock” of this Report.

Monetary Policy and Economic Controls

The earnings of Synovus Bank, and therefore our earnings, are affected by the policies of regulatory authorities, including the monetary policy of the Federal Reserve Board. An important function of the Federal Reserve Board is to promote orderly economic growth by influencing interest rates and the supply of money and credit. Among the methods that have been used to achieve this objective are open market operations in U.S. government securities, changes in the discount rate for bank borrowings, expanded access to funds for nonbanks and changes in reserve requirements against bank deposits. These methods are used in varying combinations to influence overall growth and

distribution of bank loans, investments and deposits, interest rates on loans and securities, and rates paid for deposits. Recently, in response to the financial crisis, the Federal Reserve Board has created several innovative programs to stabilize certain financial institutions and to ensure the availability of credit.

The effects of the various Federal Reserve Board policies on our future business and earnings cannot be predicted. We cannot predict the nature or extent of any effects that possible future governmental controls or legislation might have on our business and earnings.

Depositor Preference Statute

Federal law provides that deposits and certain claims for administrative expenses and employee compensation against an insured depository institution are afforded priority over other general unsecured claims against such institution, including federal funds and letters of credit, in the liquidation or other resolution of the institution by any receiver.

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TARP Regulations

EESA and ARRA

Under the EESA, Congress has the ability to impose "after-the-fact" terms and conditions on participants in the CPP. As a participant in the CPP, we are subject to any such retroactive legislation. On February 10, 2009, the Treasury announced the Financial Stability Plan which is intended to further stabilize financial institutions and stimulate lending across a broad range of economic sectors. On February 18, 2009, President Obama signed the ARRA, a broad economic stimulus package that included additional restrictions on, and potential additional regulation of, financial institutions.

On June 10, 2009, under the authority granted to it under ARRA and EESA, the Treasury issued an interim final rule under Section 111 of EESA, as amended by ARRA, regarding compensation and corporate governance restrictions that would be imposed on TARP recipients, effective June 15, 2009. As a TARP recipient with currently outstanding TARP obligations, we are subject to the compensation and corporate governance restrictions and requirements set forth in the interim final rule, which, among other things: (1) prohibit us from paying or accruing bonuses, retention awards or incentive compensation, except for certain long-term stock awards, to our senior executives and next 20 most highly compensated employees; (2) prohibit us from making severance payments to any of our senior executive officers or next five most highly compensated employees; (3) require us to conduct semi-annual risk assessments to assure that our compensation arrangements do not encourage "unnecessary and excessive risks" or the manipulation of earnings to increase compensation; (4) require us to recoup or "clawback" any bonus, retention award or incentive compensation paid by us to a senior executive officer or any of our next 20 most highly compensated employees, if the payment was based on financial statements or other performance criteria that are later found to be materially inaccurate; (5) prohibit us from providing tax gross-ups to any of our senior executive officers or next 20 most highly compensated employees; (6) require us to provide enhanced disclosure of perquisites, and the use and role of compensation consultants; (7) required us to adopt a corporate policy on luxury and excessive expenditures; (8) require our chief executive officer and chief financial officer to provide period certifications about our compensation practices and compliance with the interim final rule; (9) require us to provide enhanced disclosure of the relationship between our compensation plans and the risk posed by those plans; and (10) require us to provide an annual non-binding shareholder vote, or "say-on-pay" proposal, to approve the compensation of our executives, consistent with regulations promulgated by the SEC. On January 12, 2010, the SEC adopted final regulations setting forth the parameters for such say-on pay proposals for public company TARP participants. Notably, the Dodd-Frank Act contains separate requirements relating to compensation arrangements. Specifically, the Act requires banking regulators to issue regulations or guidelines to prohibit incentive-based compensation arrangements that encourage inappropriate risk taking by providing excessive compensation or that may lead to material loss at certain financial institutions with $1 billion or more in assets. A proposed rule was published in the Federal Register on April 14, 2011; however, regulators have yet to issue final rules on the topic.

Additional regulations applicable to TARP recipients adopted as part of EESA, the Financial Stability Plan, ARRA, or other legislation may subject us to additional regulatory requirements. The impact of these additional requirements may put us at competitive disadvantage in comparison to financial institutions that have either repaid all TARP funds or never accepted TARP funds and may materially adversely affect our business and results of operations.

Capital Purchase Program

On October 14, 2008, the U.S. Treasury, or Treasury, announced that, pursuant to the EESA, it was implementing a voluntary program known as the "Capital Purchase Program", or "CPP", pursuant to which eligible financial institutions could raise capital by selling preferred stock directly to the U.S. Government. The purpose of the Capital Purchase Program was to encourage U.S. financial institutions to build capital to, among other things, increase the flow of financing to U.S. businesses and consumers and support the U.S. economy, and was also intended to prevent additional failures of financial institutions. Synovus applied for the maximum investment available under the CPP (equal to 3% of risk-weighted assets), noting that this additional capital would be used to provide (1) strength against worse than expected economic conditions; (2) more flexibility in disposing of distressed assets to strengthen our

balance sheet; (3) capacity to invest in our local economies through lending; (4) ability to work with homeowners in mortgage workouts; and (5) participation in government directed acquisitions of banks or assets, and, as permitted, opportunistic acquisition transactions. Our application to participate in the CPP was approved by Treasury on November 14, 2008.

On December 19, 2008, Synovus consummated the CPP investment and issued to Treasury 967,870 shares of Synovus' Series A Preferred Stock having a liquidation amount per share equal to $1,000, for a total price of $967,870,000. The Series A Preferred Stock pays cumulative dividends at a rate of 5% per year for the first five years and thereafter at a rate of 9% per year. Synovus has timely paid all dividends on the Series A Preferred Stock. We may, at our option and with the consent of the FDIC, redeem, in whole or in part, the Series A Preferred Stock at the liquidation amount per share plus accrued and unpaid dividends. The Series A Preferred Stock is generally non-voting. However, if we fail to pay dividends on the Series A Preferred Stock for an aggregate of six quarterly periods, whether or not consecutive, our number of authorized directors shall be increased by two and the holders of the Series A Preferred Stock shall have the right to elect two directors. In addition, the consent of the holders of 66 $^{2}/3$% of the Series A Preferred Stock is required to authorize or create any stock ranking senior to the Series A Preferred Stock, for any

amendment to our certificate of incorporation that adversely affects the rights or preferences of the holders of the Series A Preferred Stock and for consummation of certain business combinations.

As part of its purchase of the Series A Preferred Stock, we also issued to the Treasury a Warrant to purchase up to 15,510,737 shares of our Common Stock at an initial per share exercise price of $9.36. The Warrant provides for the adjustment of the exercise price and the number of shares of our Common Stock issuable upon exercise pursuant to customary anti-dilution provisions, such as upon stock splits or distributions of securities or other assets to holders of our Common Stock, and upon certain issuances of our Common Stock at or below a specified price relative to the initial exercise price. The Warrant expires on December 19, 2018. On January 20, 2009, we filed a shelf registration statement with the SEC to register the resale by Treasury of the Series A Preferred Stock, the Warrant and the shares of Common Stock underlying the Warrant. In addition, if the shelf registration statement is unavailable and we are requested by Treasury to do so, we may be obligated to file a registration statement covering an underwritten offering of these securities.

Due to our participation in the CPP, we are subject to certain restrictions on executive compensation that could limit the tax deductibility of compensation we pay to executive management. See “Part I - Item 1. Business - Supervision, Regulation and Other Factors - TARP Regulations” of this Report for a more detailed description of the compensation and corporate governance restrictions that are applicable to us and other CPP participants.

To date, we have utilized our CPP capital to contribute capital to Synovus Bank and its predecessors and purchase certain classified assets from Synovus Bank. The CPP capital we received has facilitated the ability of Synovus Bank and its predecessors to continue to extend loans to customers in its local banking communities.

Other Regulatory Matters

Synovus and its subsidiaries and affiliates are subject to numerous examinations by federal and state banking regulators, as well as the SEC, the FINRA, the NYSE and various state insurance and securities regulators. Synovus and its subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state insurance commissions and state attorneys general, securities regulators and other regulatory authorities, concerning their business practices. Such requests are considered incidental to the normal conduct of business.

Available Information

Our website address is www.synovus.com. We file with or furnish to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and annual reports to shareholders, and, from time to time, amendments to these documents and other documents called for by the SEC. The reports and other documents filed with or furnished to the SEC are available to investors on or through the Investor Relations Section of our website under the heading “Financial Reports” and then under “SEC Filings.” These reports are available on our website free of charge as soon as reasonably practicable after we electronically file them with the SEC.

In addition, the public may read and copy any of the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, such as Synovus, that file electronically with the SEC. The address of that website is www.sec.gov.

We have adopted a Code of Business Conduct and Ethics for our directors, officers and employees and have also adopted Corporate Governance Guidelines. Our Code of Business Conduct and Ethics, Corporate Governance Guidelines and the charters of our board committees as well as information on how to contact our Board of Directors, are available in the Corporate Governance Section of our website at www.synovus.com/governance. We will post any waivers of our Code of Business Conduct and Ethics granted to our directors or executive officers on our website at www.synovus.com/governance.

We include our website addresses throughout this filing only as textual references. The information contained on our website is not incorporated in this document by reference.

ITEM 1A. RISK FACTORS

This section highlights the material risks that we currently face. 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.

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The deterioration in the residential construction and development and land acquisition portfolio may lead to increased non-performing assets in our loan portfolio and increased provision for loan losses which could have a material adverse effect on our capital, financial condition and results of operations.

The residential construction and development and land acquisition real estate portfolio continues to experience a variety of difficulties and challenging economic conditions, which continues to put pressure on our commercial real estate loan portfolio and has contributed to elevated non-performing assets in the residential construction and development and land acquisition portfolio. During the recent credit crisis, our residential construction and development and land acquisition portfolio experienced a higher level of NPLs and losses than any other loan category in our loan portfolio. From 2008 through 2012, this portfolio had $2.07 billion in losses, which was approximately 47% of all losses during this period of time. See “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Credit Quality - Non-Performing Assets” in this Report. While recent economic data suggests that overall economic conditions are improving, if market conditions in the residential construction and development and land acquisition real estate markets remain poor or further deteriorate, they may lead to additional valuation adjustments on our loans and real estate owned in these markets as we continue to reassess the fair value of our non-performing assets, the loss severities of loans in default, and the fair value of real estate owned. Furthermore, a sustained weak economy could result in a continuation of the decreased demand for residential housing, which, in turn, could adversely affect the development and construction efforts of residential real estate developers; adversely affect the ability of residential real estate developer borrowers to repay these loans and the value of property used as collateral for such loans; result in higher levels of non-performing loans in other categories, such as commercial and industrial loans, which may result in additional losses; and lead to an inability to grow quality loans in this loan portfolio, which may harm our future operating results. Management continually monitors market conditions and economic factors throughout our footprint for indications of change in other markets. If these economic conditions and market factors negatively and/or disproportionately affect some of our larger loans, then we could see a sharp increase in our total net charge-offs and also be required to significantly increase our allowance for loan losses. Any further increase in our non-performing assets and related increases in our provision for loan losses could negatively affect our business and could have a material adverse effect on our capital, financial condition and results of operations.

Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition and results of operations.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expenses, which represents management's best estimate of probable credit losses that have been incurred within the existing portfolio of loans, as described under Note 7 of Notes to Consolidated Financial Statements in this Report and under “Critical Accounting Policies - Allowance for Loan Losses” under “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations” of this Report. The allowance, in the judgment of management, is established to reserve for estimated loan losses and risks inherent in the loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, risk ratings, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

Because the risk rating of the loans is inherently subjective and subject to changes in the borrower's credit risk profile, evolving local market conditions and other factors, it can be difficult for us to predict the effects that those factors will have on the classifications assigned to the loan portfolio, and thus difficult to anticipate the velocity or volume of the migration of loans through the classification process and effect on the level of the allowance for loan losses. Accordingly, we monitor our credit quality and our reserve requirements and use that as a basis for capital planning and other purposes. See “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity” and “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources” of this Report for further information.

In light of current market conditions, we regularly reassess the creditworthiness of our borrowers and the sufficiency of our allowance for loan losses. Our allowance for loan losses was $373.4 million or 1.91% of total loans at December 31, 2012, compared to $536.5 million, or 2.67% of total loans at December 31, 2011. Future additions to the allowance may be necessary based on changes in economic assumptions as well as changes in assumptions regarding a borrower's ability to pay and/or collateral values. In addition, various regulatory agencies, as an integral part of their examination procedures, periodically review the allowance. Based on their judgments about information available to them at the time of their examination, such agencies may require Synovus to recognize additions to the allowance or additional loan charge offs. An increase in the allowance for loan losses would result in a decrease in net income and capital, and may have a material adverse effect on our capital, financial condition and results of operations.

We recorded a provision for loan losses for the year ended December 31, 2012 of $320.4 million compared to a $418.8 million provision for loan losses for the year ended December 31, 2011, both of which are significantly higher than historical levels. We also charged-off approximately $483.5 million in loans, net of recoveries, during the year ended December 31, 2012, compared

to $585.8 million in loans, net of recoveries, during the year ended December 31, 2011. While the provision for loan losses was lower in 2012 and 2011 than the provision for loan losses in 2010 and 2009, the provision for loan losses remains higher than historical levels.

Even though our credit trends showed significant improvement during 2011 and 2012 compared to the prior two years, our non-performing assets and credit costs remain elevated. While we expect that our levels of non-performing assets and credit costs will continue to decline during 2013, we also expect that these levels of non-performing assets will remain at elevated levels compared to historical levels for the next two years due to the continuing weak economic conditions, particularly in the commercial and residential real estate sector, as the deterioration in the credit and real estate markets causes borrowers to default. Further, the value of the collateral underlying a given loan, and the realizable value of such collateral in a foreclosure sale, likely will be negatively affected by the sustained downturn in the real estate market, and therefore may result in an inability to realize a full recovery in the event that a borrower defaults on a loan. Any additional non-performing assets, loan charge-offs, increases in the provision for loan losses or any inability by us to realize the full value of underlying collateral in the event of a loan default, could negatively affect our business, financial condition, and results of operations and the price of our securities.

We will realize additional future losses if our levels of non-performing assets increase and/or if we determine to sell certain non-performing assets and the proceeds we receive are lower than the carrying value of such assets.

In 2009, we announced a strategy to aggressively dispose of distressed assets. During the four-year period from January 1, 2009 through December 31, 2012, we disposed of approximately $4 billion of distressed assets, including the sale of distressed assets with a total carrying value of approximately $918.8 million during 2012. As a part of our overall continued efforts to reduce distressed assets, we expect that we will continue our sales of distressed assets during 2013 and future periods. The actual volume of our future distressed asset sales, if any, will vary during any particular period, depending upon a variety of factors, including: an increase in the rate of migration of our loans from performing status to distressed status; an increase in the overall level of distressed loans at any given point in time; opportunities to sell such assets on a favorable basis; and further regulatory developments or directives to reduce our level of distressed assets.

We will realize additional future losses if the proceeds we receive upon dispositions of assets are less than the recorded carrying value of such assets, which could adversely, affect our results of operations in future periods. Accordingly, we will realize an increased level of credit costs, and possibly losses, in any period during which we determine to dispose of an increased level of distressed assets. Further, the continuing weakness in the residential and commercial real estate markets may negatively impact our ability to dispose of distressed assets, and may result in higher credit losses on sales of distressed assets.

We may not realize the expected benefits from our efficiency and growth initiatives, which will negatively impact our future profitability.

In the current competitive banking environment, Synovus must continue to reduce operating costs and implement strategies to grow its loan portfolio and increase non-interest income in order to realize sustained future profitability and to remain competitive with the other banks in the markets we serve. Since 2010, we have implemented a series of strategic efficiency and growth initiatives to address the challenges facing Synovus and defined strategies for expense reduction, streamlining of processes and long-term growth initiatives. In 2011, through the execution of these initiatives, Synovus realized a $105.8 million, or 10.5%, reduction in total non-interest expense, and a $95.3 million or 11.7% reduction in core expenses. In 2012, we reduced total non-interest expense by $87.5 million, or 9.7%, compared to 2011, and reduced core expenses by $25.1 million, or 3.5%, from 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.

In 2011, through the execution of these initiatives, Synovus realized a $105.8 million, or 10.5%, reduction in total non-interest expense, and a $95.3 million or 11.7% reduction in core expenses. In 2012, we reduced total non-interest expense by $87.5 million, or 9.7%, compared to 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. Management has also identified new expense savings initiatives of approximately $30 million to be implemented during 2013.

In addition to efficiency initiatives, management continues to identify and implement initiatives to grow our loan portfolio and our non-interest income, including investing in additional expertise, product offerings, and product quality in Synovus' commercial and industrial lending group and developing new products and services to grow new fee income. However, there can be no assurance that Synovus will ultimately realize the anticipated benefits of its expense reduction and growth strategies. In addition, Synovus is subject to various risks inherent in its business. These risks may cause the anticipated results from our growth strategies and cost-reduction initiatives to result in implementation charges beyond those currently contemplated or could result in some other unanticipated adverse impact. Furthermore, if we do not realize the anticipated cost-savings from our efficiency initiatives, we may need to take additional actions including branch closures and headcount reductions to achieve the desired cost-savings. The implementation of these initiatives may also have unintended impacts on Synovus' ability to attract and retain business and customers. Accordingly, we cannot guarantee that the anticipated long-term benefits from our efficiency and growth initiatives will be realized and if they are not we may not achieve our strategic and financial objectives.

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If economic conditions worsen or regulatory capital rules are modified, we may be required to undertake additional strategic initiatives to improve our capital position.

During 2009 and 2010, Synovus executed a number of strategic capital initiatives to bolster our capital position against credit deterioration and to provide additional capital as Synovus pursued its aggressive asset disposition strategy. As of December 31, 2012, Synovus' Tier 1 capital ratio was 13.24%, its Tier 1 Common Equity Ratio was 8.72%, and Synovus and Synovus Bank were considered "well capitalized" under current regulatory standards. See "Part I - Item 1. Business - Supervision, Regulation and Other Factors - Prompt Corrective Action" of this Report for further information. This regulatory capital framework is expected to change in important respects as a result of the Dodd-Frank Act and a separate, international regulatory capital initiative known as "Basel III." In particular, the Dodd-Frank Act eliminates Tier 1 capital treatment for most trust preferred securities after a three-year phase-in period that begins January 1, 2013. Furthermore, in December 2010, BCBS finalized new regulatory capital standards, known as Basel III, which are aimed at capital reform; seek to further strengthen financial institutions' capital positions by mandating a higher minimum level of common equity to be held, along with a capital conservation buffer to withstand future periods of stress. At present, our Tier 1 common equity is in excess of the minimum common equity and additional conservation buffer stipulated by these newly proposed requirements. Regardless, complying with these new capital requirements will likely affect our operations, and the extent to which we will be affected will be known with more certainty once additional clarity is provided on the underlying details of these new requirements. These new requirements have been endorsed by the U.S. banking regulators, but have not yet been translated by the regulators into official regulation for U.S. financial institutions. It was anticipated that U.S. regulators would adopt new regulatory capital requirements similar to those proposed by the BCBS to be phased-in for U.S. financial institutions beginning in 2013. In June of 2012, U.S. banking regulators proposed new standards to implement these capital requirements. However, on November 9, 2012, regulators announced that the implementation of these rules would be delayed and did not provide a specific timeframe for their implementation. While the timing of these new capital requirements is uncertain, it is widely anticipated that the new capital requirements for most bank and financial holding companies, as well as for most insured depository institutions, will increase, although the nature and amounts of the increase have not yet been specified.

In addition, reflecting the importance that regulators place on managing capital and other risks, on June 16, 2011, the banking agencies issued proposed guidance on stress testing for banking organizations with more than $10 billion in total consolidated assets. This guidance, which was finalized on May 14, 2012, outlines four "high-level" principles for stress testing practices that should be a part of a banking organization's stress-testing framework. Specifically, the guidance calls for the framework to (1) include activities and exercises that are tailored to and sufficiently capture the banking organization's exposures, activities and risks; (2) employ multiple conceptually sound stress testing activities and approaches; (3) be forward-looking and flexible; and (4) be clear, actionable, well-supported, and used in the decision-making process. Moreover, the federal bank regulators have issued a series of guidance and rulemakings applicable to "large banks." While many of these do not currently apply to us due to our asset size, these issuances could impact industry capital standards and practices in many, potentially unforeseeable ways.

We are also subject to new "stress testing" requirements that implement provisions of the Dodd-Frank Act and that are designed to require banking organizations to assess the potential impact of different scenarios on their earnings, losses, and capital over a set time period, with consideration given to certain relevant factors, including the organization's condition, risks, exposures, strategies, and activities. These rules require banking organizations with total consolidated assets of more than $10 billion but less than $50 billion to conduct annual company-run stress tests, report the results to their primary federal regulator and the Federal Reserve Board, and publish a summary of the results. Under the rules, stress tests must be conducted using certain scenarios that the Board will publish by November 15 of each year. These new rules require a banking organization with between $10 and $50 billion in assets to conduct its first stress test using financial statement data as of September 30, 2013, and to report the results by March 31, 2014. In addition, the rules will require such organizations to begin publicly disclosing a summary of certain stress test results in 2015 with respect to the stress test conducted in the fall of 2014. This public disclosure of these stress tests could result in reputational harm if our results are worse than those of our competitors.

Synovus continues to actively monitor economic conditions, evolving industry capital standards, and changes in regulatory standards and requirements, and engages in regular discussions with its regulators regarding capital at both Synovus and Synovus Bank. As part of its ongoing management of capital, Synovus will continue to identify, consider, and pursue additional strategic initiatives to bolster its capital position as deemed necessary, including strategies in connection with the Company's repayment of TARP and strategies that may be required to meet the requirements of Basel III and other regulatory initiatives regarding capital. If economic conditions or other factors worsen to a materially greater degree than the assumptions underlying management's current internal assessment of our capital position or if minimum regulatory capital requirements for us or Synovus Bank increase as the result of legislative changes or informal or formal regulatory directives, then we would be required to pursue one or more additional capital improvement strategies, including, among others, balance sheet optimization strategies, asset sales, and/or the sale of securities to one or more third parties. There can be no assurance that any such transactions will be available to us on favorable terms, if at all, or that we would be able to realize the anticipated benefits of such transactions. We also cannot predict the effect that these transactions would have on the market price of our Common Stock. In addition, if we issue additional equity securities in these transactions, including options, warrants, preferred stock or convertible securities, such newly issued securities could cause significant dilution to the holders of our Common Stock.

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Our net interest income could be negatively affected by the lower level of short-term interest rates and a decrease in total loans.

Net interest income, which is the difference between the interest income that we earn on interest-earning assets and the interest expense that we pay on interest-bearing liabilities, is a major component of our income. Our net interest income is our primary source of revenue from our operations. Interest rates during 2009 through 2012 have remained within the range of 0% to 0.25% as set by the Federal Reserve during 2008. A significant portion of our loans, including commercial real estate loans and commercial and industrial loans, bear interest at variable rates. In addition, in order to compete for deposits in our primary market areas, we may offer more attractive interest rates to depositors, or we may have to pursue other sources of liquidity, such as wholesale funds.

Our total loans decreased to $19.54 billion as of December 31, 2012 compared to $20.08 billion as of December 31, 2011. A decrease in loans outstanding and lower realized yields on investment securities reduced our net interest income during the year ended December 31, 2012 and could cause additional pressure on net interest income in future periods. This reduction in net interest income also may be exacerbated by the high level of competition that we face in our primary market area. Any significant reduction in our net interest income could negatively affect our business and could have a material adverse impact on our capital, financial condition and results of operations.

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.

We may be unable to access historical and alternative sources of liquidity, including the capital markets, brokered deposits and borrowings from the FHLB, which could adversely affect our overall liquidity. Liquidity represents the extent to which we have readily available sources of funding needed to meet the needs of our depositors, borrowers and creditors; to support asset growth, and to otherwise sustain our operations and the operations of our subsidiary bank. In managing our consolidated balance sheet, we depend on access to a variety of sources of funding to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our customers. Sources of funding available to us, and upon which we rely as regular components of our liquidity and funding management strategy, include borrowings from the FHLB and brokered deposits. See “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity” and “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources” of this Report for further information. We also have historically enjoyed a solid reputation in the capital markets and have been able to raise funds in the form of either short- or long-term borrowings or equity issuances. If, due to market disruptions, perceptions about our credit ratings or other factors, we are unable to access the capital markets in the future, our capital resources and liquidity may be adversely affected.

In general, the amount, type and cost of our funding, including from other financial institutions, the capital markets and deposits, directly impacts our costs in operating our business and growing our assets and therefore, can positively or negatively affect our financial results. A number of factors could make funding more difficult, more expensive or unavailable on any terms, including, but not limited to, further reductions in our debt ratings, financial results and losses, changes within our organization, specific events that adversely impact our reputation, disruptions in the capital markets, specific events that adversely impact the financial services industry, counterparty availability, changes affecting our assets, the corporate and regulatory structure, interest rate fluctuations, general economic conditions and the legal, regulatory, accounting and tax environments governing our funding transactions. Also, we compete for funding with other banks and similar companies, many of which are substantially larger, and have more capital and other resources than we do. In addition, as some of these competitors consolidate with other financial institutions, these advantages may increase. Competition from these institutions may increase the cost of funds.

For Synovus Bank, the primary source of liquidity is the growth and retention of deposits. In the current competitive environment, customer confidence is a critical element in growing and retaining deposits. In this regard, Synovus Bank's asset quality could play a larger role in the stability of the deposit base. In the event asset quality declines significantly from its current level or is perceived to be less than that of our competitors, Synovus Bank's ability to grow and retain deposits could be diminished.

We must also maintain adequate liquidity at the Parent Company level for various operating needs, including the servicing of debt, the payment of general corporate expenses, and the payment of dividends on our Common Stock

and Series A Preferred Stock. See “Part I - Item 1A. Risk Factors - We may not be able to generate sufficient cash to service all of our debt and repay maturing debt obligations” of this Report. The primary source of liquidity at the holding company level is dividends from Synovus Bank. During 2011 and 2012, Synovus did not receive any dividends from Synovus Bank. Synovus Bank is currently subject to a MOU that prohibits it from paying any cash dividends to us without regulatory approval, and other GA DBF rules and related statutes contain additional restrictions on payments of dividends by Synovus Bank. See "Part I - Item 1. Business - Supervision, Regulatory and Other Factors - Dividends" of this Report for further information. 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 and overall financial condition. Synovus expects that it will receive dividends from Synovus Bank in 2013. If Synovus does not receive dividends from Synovus Bank in 2013, its liquidity could be adversely affected. In particular, failure to receive dividends from Synovus Bank will impair Synovus' ability to repay TARP in full without issuing substantially more debt or equity than it otherwise anticipates will be required. In addition to dividends from Synovus Bank, we have historically had access to a

number of alternative sources of liquidity, including the capital markets, but there is no assurance that we will be able to obtain such liquidity on terms that are favorable to us, or at all. If our access to these traditional and alternative sources of liquidity is diminished or only available on unfavorable terms, then our overall liquidity and financial condition will be adversely affected.

Our status as a non-investment grade issuer and any further reductions in our credit rating could increase the cost of our funding from the capital markets and impact our liquidity.

During the past three years, our long-term debt has been downgraded to below investment grade by Moody's Investors Service, Standard and Poor's Ratings Services and Fitch Ratings. The ratings agencies regularly evaluate us and Synovus Bank, and their ratings of our long-term debt are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the continuing difficulties in the financial services industry and the housing and financial markets, there can be no assurance that we will not receive further reductions in our ratings, which could adversely affect the cost and other terms upon which we are able to obtain funding and the way in which we are perceived in the capital markets. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade, could affect the market value and liquidity of our outstanding public indebtedness and increase our borrowing costs. We cannot predict whether existing customer relationships or opportunities for future relationships could be further affected by customers who choose to do business with a higher rated institution. 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 this Report.

We may not be able to generate sufficient cash to service all of our debt and repay maturing debt obligations.

As of December 31, 2012, Synovus and its consolidated subsidiaries had $1.73 billion of long-term debt outstanding. In addition, approximately $60.6 million of our existing subordinated notes will mature on February 15, 2013, and approximately $13.6 million of our junior subordinated notes that are a component of the tMEDs will mature on May 15, 2013. Our ability to make scheduled payments of principal and interest or to satisfy our obligations in respect of our debt, to refinance our debt or to fund capital expenditures will depend on our future financial and operating performance and our ability to maintain adequate liquidity. Prevailing economic conditions (including interest rates), regulatory constraints, including, among other things, on distributions to us from our subsidiaries and required capital levels with respect to certain of our banking and insurance subsidiaries, and financial, business and other factors, many of which are beyond our control, will also affect our ability to meet these needs. We may not be able to generate sufficient cash flows from operations, or obtain future borrowings in an amount sufficient to enable us to pay our debt, or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity. We may not be able to refinance any of our debt when needed on commercially reasonable terms or at all. If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to reduce or delay investments in our business, sell assets, seek to obtain additional equity or debt financing or restructure our debt on terms that may not be favorable to us.

While we recently reversed the valuation allowance for our deferred tax assets, we may not be able to realize these assets in the future and they may be subject to additional valuation allowances, which could adversely affect our operating results and regulatory capital ratios.

During 2009, Synovus established a valuation allowance for substantially all of its deferred tax assets, primarily due to the realization of significant losses, significant credit deterioration, and negative trending in asset quality and uncertainty regarding the amount of future taxable income that Synovus could forecast. Management assesses the valuation allowance recorded against deferred tax assets at each reporting period. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all positive and negative evidence. At December 31, 2012 , Synovus was in a three-year cumulative loss position, which represents negative evidence. However, based on the weight of all the positive and negative evidence at December 31, 2012 , management concluded that it was more likely than not that $806.4 million of the net deferred tax assets will be realized based upon future taxable income and therefore, reversed $802.8 million of the valuation allowance at December 31, 2012 . The valuation allowance of $18.7 million at December 31, 2012 is related to

specific state income tax credits and specific state NOL carryforwards that have various expiration dates through the tax year 2018and 2017, respectively and are expected to expire before they can be utilized.

As of December 31, 2012, approximately $710.5 million of Synovus' deferred tax assets were disallowed when calculating regulatory capital. Applicable banking regulations permit us to include these deferred tax assets, up to a maximum amount, when calculating Synovus' regulatory capital to the extent these assets will be realized based on future projected earnings within one year of the report date.

The valuation allowance could fluctuate in future periods based on the assessment of the positive and negative evidence. Management's conclusion at December 31, 2012 that it is more likely than not that the net deferred tax asset of $806.4 million will be realized is based upon management's estimate of future taxable income. Management's estimate of future taxable income is based on internal projections which consider historical performance, various internal estimates and assumptions, as well as certain external data, all of which management believes to be reasonable although inherently subject to significant judgment. If

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actual results differ significantly from the current estimates of future taxable income, even if caused by adverse macro-economic conditions, the valuation allowance may need to be increased for some or all of Synovus' deferred tax asset. Such an increase to the deferred tax asset valuation allowance could have a material adverse effect on our financial condition and results of operations. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Income Tax Expense" and Note 24 - Income Taxes in "Part II - Item 8. Financial Statements and Supplementary Data" in this Report for further information.

Issuances or sales of Common Stock or other equity securities could result in an "ownership change" as defined for U.S. federal income tax purposes. In the event an "ownership change" were to occur, our ability to fully utilize a significant portion of our U.S. federal and state tax net operating losses and certain built-in losses that have not been recognized for tax purposes could be impaired as a result of the operation of Section 382 of the Code.

Our ability to use certain realized NOLs and unrealized built-in losses to offset future taxable income may be significantly limited if we experience an "ownership change" as defined by Section 382 of the Code. An ownership change under Section 382 generally occurs when a change in the aggregate percentage ownership of the stock of the corporation held by "five percent shareholders" increases by more than fifty percentage points over a rolling three year period. A corporation experiencing an ownership change generally is subject to an annual limitation on its utilization of pre-change losses and certain post-change recognized built-in losses equal to the value of the stock of the corporation immediately before the "ownership change," multiplied by the long-term tax-exempt rate (subject to certain adjustments). The annual limitation is increased each year to the extent that there is an unused limitation in a prior year. Since U.S. federal net operating losses generally may be carried forward for up to 20 years, the annual limitation also effectively provides a cap on the cumulative amount of pre-change losses and certain post-change recognized built-in losses that may be utilized. Pre-change losses and certain post-change recognized built in losses in excess of the cap are effectively unable to be used to reduce future taxable income. In some circumstances, issuances or sales of our stock (including any Common Stock or other equity issuances or debt-for-equity exchanges and certain transactions involving our stock that are outside of our control) could result in an "ownership change" under Section 382.

In April 2010, we adopted a Rights Plan, which was approved by our shareholders in April 2011 at our 2011 annual meeting. The Rights Plan provides an economic disincentive for any one person or group acting in concert to become an owner, for relevant tax purposes, of 5% or more of our stock and is intended to protect our NOLs from the potential negative consequence of an ownership change as defined under Section 382 of the Internal Revenue Code. The Rights Plan will terminate in accordance with its terms on April 27, 2013. Our Board of Directors could determine to extend the term of the Rights Plan upon the expiration of its current term or adopt another Rights Plan, subject to subsequent ratification by our shareholders, if it determines that our substantial NOLs are at risk of limitation under Section 382 or that such action otherwise is in the best interests of our shareholders.

While adoption of the Rights Plan should reduce the likelihood that future transactions in our stock will result in an ownership change, there can be no assurance that the Rights Plan will be effective to deter a stockholder from increasing its ownership interests beyond the limits set by the Rights Plan or that an ownership change will not occur in the future, especially if the Rights Plan is not extended or a new Rights Plan is not adopted when the current Rights Plan terminates. Furthermore, our ability to enter into future transactions may be impaired if such transactions result in an unanticipated "ownership change" under Section 382. If an "ownership change" under Section 382 were to occur, the value of our net operating losses and a portion of the net unrealized built-in losses will be impaired.

We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock.

Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, state banking regulators, the Federal Reserve, and separately the FDIC as the insurer of bank deposits, each has the authority to compel or restrict certain actions on our part if any of them determine that we have insufficient capital or are otherwise operating in a manner that may be deemed to be inconsistent with safe and sound banking practices. In addition to examinations for safety and soundness, Synovus and its subsidiaries also are subject to continuous examination by state and federal banking regulators, including the newly formed CFPB, for compliance with various

laws and regulations, as well as consumer compliance initiatives. As a result of this regulatory oversight and examination process, our regulators can require us to enter into GA DBF informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which we could be required to take identified corrective actions to address cited concerns, or to refrain from taking certain actions.
We entered into an MOU with the Federal Reserve Bank of Atlanta and the GA DBF pursuant to which we have implemented plans that are intended to, among other things, minimize credit losses and reduce the amount of our distressed assets, limit and manage our concentrations in commercial real estate loans, improve our credit risk management and related policies and procedures, address liquidity management and current and future capital requirements, strengthen enterprise risk management practices, and provide for succession planning for key corporate and regional management positions and our board of directors. The memorandum

of understanding also requires that we inform and consult with the Federal Reserve Board prior to declaring and paying any future dividends, and obtain the prior approval of the Federal Reserve Bank of Atlanta and the GA DBF prior to increasing the quarterly cash dividend on our Common Stock above $0.01 per share.

Synovus Bank is also presently subject to an MOU with the GA DBF and the FDIC that is substantially similar in substance and scope to the Synovus MOU described above. The Synovus Bank MOU also requires that Synovus Bank obtain approval from the GA DBF and the FDIC prior to paying any cash dividends to Synovus. In addition, as a result of recent compliance exams, Synovus Bank entered into an informal written agreement with the FDIC relating to certain compliance matters. Under this agreement, Synovus Bank is required to implement written action plans, policies and procedures to address and remediate identified compliance concerns and furnish written quarterly progress reports to the FDIC.

If we are unable to comply with the terms of our current supervisory agreements, or if we become subject to and are unable to comply with the terms of any future regulatory actions or directives, supervisory agreements, or orders, then we could become subject to additional, heightened supervisory actions and orders, possibly including consent orders, prompt corrective action restrictions and/or other regulatory actions, including prohibitions on the payment of dividends on our Common Stock and Series A Preferred Stock. If our regulators were to take such additional supervisory actions, then we could, among other things, become subject to significant restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. The terms of any such supervisory action could have a material negative effect on our business, reputation, operating flexibility, financial condition, and the value of our Common Stock. See “Part I - Item 1. Business - Supervision, Regulation, and Other Factors” in this Report for further information.

We currently have the largest outstanding amount of TARP funds of any financial institution, which may result in a negative perception of us compared to our competitors, and if we are unable to repay our TARP funds in a timely manner, we may suffer additional reputational harm and the dividend rate on our TARP funds will increase.

As of December 31, 2012, we have $967.9 million (aggregate liquidation preference) of Series A Preferred Stock issued and outstanding, all of which was issued to the U.S. Treasury under the Capital Purchase Program (the “TARP funds”). We currently have the largest outstanding amount of TARP funds of any financial institution, which could damage our reputation and put us at a competitive disadvantage compared to our competitors in attracting customers. Furthermore, if we do not repay our TARP funds before December 19, 2013, the rate of dividends payable on the Series A Preferred Stock will increase to 9% per annum from the current rate of 5% per annum, which could adversely affect our operating results in future periods. We continue to actively review and consider strategies for repaying our TARP funds, and while we presently intend to identify and pursue one or more of those repayment strategies during 2013, there can be no guarantee that we will be successful in repaying our TARP funds in 2013. The federal regulators have not provided any formal guidance on the conditions to repay our TARP funds and appear to address these questions on a case-by-case basis. Management continues to analyze the sources of funds to repay TARP through a combination of existing cash and other capital market transactions. It is the current belief of management that we may be required to generate or raise a portion of the funds with a combination of preferred and/or common equity. See "Part I – Item 1A. Risk Factors - Our status as a non-investment grade issuer and any further reductions in our credit rating could increase the cost of our funding from the capital markets and impact our liquidity.” of this Report.

We are subject to regulatory initiatives applicable to financial institutions in general and TARP recipients in particular that could adversely impact our ability to attract and retain key employees and pursue business opportunities and could put us at a competitive disadvantage compared to our competitors.

Our financial success depends upon our ability to attract and retain highly motivated, well-qualified personnel. We face significant competition in the recruitment of qualified employees from financial institutions and others. Until we repay the TARP funds, we are subject to additional, and possibly changing, regulatory scrutiny and restrictions regarding the compensation of certain executives and associates as established under TARP guidelines. The increased scrutiny and restrictions related to our compensation practices, as well as any negative public attention that we may receive by virtue of our outstanding TARP funds, may adversely impact our ability to recruit, retain and motivate key employees, which in turn may impact our ability to pursue business opportunities and could otherwise materially

adversely affect our businesses and results of operations. See “Part I - Item 1. Business -Actions by Federal and State Regulators” and “Part I - Item 1- Supervision, Regulation and Other Factors” of this Report for further information.
In addition to the guidelines on incentive and senior officer compensation under TARP, the Dodd-Frank Act provides for the implementation of a variety of corporate governance and compensation practices applicable to all public companies, including Synovus, which may impact certain of Synovus' executive officers and employees. These provisions include, but are not limited to, requiring companies to “claw back” incentive compensation under certain circumstances, provide shareholders the opportunity to cast a non-binding vote on executive compensation, to consider the independence of compensation advisors and new executive compensation disclosure requirements. The Dodd-Frank Act also requires banking regulators to issue regulations or guidelines to prohibit incentive-based compensation arrangements that encourage inappropriate risk taking by providing excessive compensation

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or that may lead to material loss at certain financial institutions with $1 billion or more in assets. Such provisions with respect to compensation, in addition to other competitive pressures, may have an adverse effect on the ability of Synovus to attract and retain skilled personnel.

Further, in June 2010, the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the FDIC jointly issued comprehensive final guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking organizations by encouraging employees to take imprudent risks. This regulation significantly restricts the amount, form, and context in which we pay incentive compensation.

These restrictions may put us at a competitive disadvantage compared to our competitors that have repaid all TARP funds before us, or who did not receive TARP funds, and with non-financial institutions in terms of attracting and retaining senior level employees. Furthermore, to the extent that our competitors repay their TARP funds before us, our reputation and the public perception of our financial condition may be negatively affected, which could adversely affect our stock price.

Regulation of the financial services industry continues to undergo major changes, and future legislation could increase our cost of doing business or harm our competitive position.

Between 2009 and 2011, many emergency government programs enacted in 2008 in response to the financial crisis and the recession slowed or wound down, and global regulatory and legislative focus has generally moved to a second phase of broader reform and a restructuring of financial institution regulation. On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which has, and will continue to substantially change the legal and regulatory framework under which we operate. The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, mortgage lending practices, registration of investment advisors and changes among the bank regulatory agencies. Among the provisions that may affect the operations of Synovus Bank or Synovus are the following:

- Creation of the CFPB with centralized authority, including examination and enforcement authority, for consumer protection in the banking industry.
- New limitations on federal preemption.
- New prohibitions and restrictions on the ability of a banking entity and nonbank financial company to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or private equity fund.
- Application of new regulatory capital requirements, including changes to leverage and risk-based capital standards and changes to the components of permissible tiered capital.
- Requirement that the company and its subsidiary bank be well capitalized and well managed in order to engage in activities permitted for financial holding companies.
- Changes to the assessment base for deposit insurance premiums.
- Permanently raising the FDIC's standard maximum deposit insurance amount to $250,000 limit for federal deposit insurance.
- Repeal of the prohibition on the payment of interest on demand deposits, effective July 21, 2011, thereby permitting depository institutions to pay interest on business transaction and other accounts.
- Restrictions on compensation, including a prohibition on incentive-based compensation arrangements that encourage inappropriate risk taking by covered financial institutions and are deemed to be excessive, or that may lead to material losses.
- Requirement that sponsors of asset-backed securities retain a percentage of the credit risk of the assets underlying the securities.
- Requirement that banking regulators remove references to and requirements of reliance upon credit ratings from their regulations and replace them with appropriate alternatives for evaluating credit worthiness.

Some of these and other major changes could materially impact the profitability of our business, the value of assets we hold or the collateral available for our loans, require changes to business practices or force us to discontinue businesses and expose us to additional costs, taxes, liabilities, enforcement actions and reputational risk. For example, the provisions of the Dodd-Frank Act relating to debit card interchange fees have reduced our fee income. We may not

be able to fully replace the revenue lost by this limitation. As a result of the expiration of unlimited insurance coverage for noninterest-bearing demand transaction accounts after December 31, 2012, we may see a run-off in certain noninterest-bearing demand deposits to the extent such deposits exceed the FDIC's $250,000 per depositor maximum insurance coverage limit, which may adversely impact our liquidity. Many of these provisions became effective upon enactment of the Dodd-Frank Act, while others are subject to further study, rulemaking, and the discretion of regulatory bodies. In light of these significant changes and the discretion afforded to federal regulators, we cannot

fully predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on Synovus' businesses or its ability to pursue future business opportunities. Additional regulations resulting from the Dodd-Frank Act may materially adversely affect Synovus' business, financial condition or results of operations. Certain other reform proposals under consideration, including new proposed regulatory capital requirements proposed by the BCBS under Basel III, could result in Synovus becoming subject to stricter capital requirements and leverage limits, and could also affect the scope, coverage, or calculation of capital, all of which could require us to reduce business levels or to raise capital, including in ways that may adversely impact our shareholders or creditors. It was anticipated that new capital requirements would be phased-in for U.S. financial institutions beginning in 2013. However, on November 9, 2012, U.S. regulators announced that the implementation of rules implementing Basel III would be delayed, and regulators have not provided a specific timeframe for their implementation of these requirements. See “Part I - Item 1. Business - Supervision, Regulation and Other Factors” of this Report for further information. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our business, financial condition, or results of operations.

We may be unable to pay dividends on our Common Stock.

Although we have historically paid a quarterly cash dividend to the holders of our Common Stock, holders of our Common Stock are not legally entitled to receive dividends. The reduction or elimination of dividends paid on our Common Stock could adversely affect the market price of our Common Stock. In addition, the Federal Reserve could decide at any time that paying any Common Stock dividends could be an unsafe or unsound banking practice. Any of these decisions could adversely affect the market price of our Common Stock. For a discussion of current regulatory limits on our ability to pay dividends above $0.01 per common share, see “Part I - Item 1. Business - Supervision, Regulation and Other Factors - Dividends,” “Part I - Item 1A - Risk Factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock” and “Part II - Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities - Dividends” in this Report for further information.

The financial services market is undergoing rapid technological changes, and if we are unable to stay current with those changes, we will not be able to effectively compete.

The financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. Our future success will depend, in part, on our ability to keep pace with the technological changes and to use technology to satisfy and grow customer demand for our products and services and to create additional efficiencies in our operations. We expect that we will need to make substantial investments in our technology and information systems to compete effectively and to stay current with technological changes. Some of our competitors have substantially greater resources to invest in technological improvements and will be able to invest more heavily in developing and adopting new technologies, which may put us a competitive disadvantage. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and our business, financial condition or results of operations, may be adversely affected.

We are subject to a variety of operational risks, including reputational risk, legal risk, and regulatory and compliance risk, and the risk of fraud or theft by employees or outsiders, which may adversely affect our business and results of operations.

We are exposed to many types of operational risks, including reputational risk, legal and regulatory and compliance risk, the risk of fraud or theft by employees or outsiders, including unauthorized transactions by employees or operational errors, clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. See “Part I - Item 1. Business - Enterprise Risk Management” of this Report for further information. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and keep customers and can expose us to litigation and regulatory action. Actual or alleged conduct by Synovus can result in negative public opinion about our other business. Negative public opinion could also affect our

credit ratings, which are important to our access to unsecured wholesale borrowings.
Our business involves storing and processing sensitive consumer and business customer data. If personal, non-public, confidential or proprietary information of customers in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or where such information is intercepted or otherwise inappropriately taken by third parties. Furthermore, a cyber-security breach could result in theft of such data.
Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record

and process transactions and our large transaction volume may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We also may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control (for example, computer viruses or electrical or telecommunications outages, or natural disasters, disease pandemics or other damage to property or physical assets) which may give rise to disruption of service to customers and to financial loss or liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that our (or our vendors') business continuity and data security systems prove to be inadequate. The occurrence of any of these risks could result in a diminished ability of us to operate our business (for example, by requiring us to expend significant resources to correct the defect), as well as potential liability to clients, reputational damage and regulatory intervention, which could adversely affect our business, financial condition or results of operations, perhaps materially.

Our information systems may experience an interruption or security breach, which could result in serious reputational harm to our business, disrupt our business and lead to significant costs and losses.

Failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber-attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. As a large financial institution, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As customer, public and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber-attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers.

Information security risks for large financial institutions such as Synovus have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. In addition, to access our products and services, our customers may use personal smartphones, tablet PC's, and other mobile devices that are beyond our control systems. Although we believe we have robust information security procedures and controls, our technologies, systems, networks, and our customers' devices may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Synovus' or our customers' confidential, proprietary and other information, or otherwise disrupt Synovus' or our customers' or other third parties' business operations. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Synovus is under continuous threat of loss due to hacking and cyber-attacks especially as we continue to expand customer capabilities to utilize internet and other remote channels to transact business. Two of the most significant cyber-attack risks that we face are e-fraud and loss of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customer or our accounts. The attempts to breach sensitive customer data, such as account numbers and social security numbers, are less frequent but could present significant reputational, legal and/or regulatory costs to us if successful. Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, our plans to continue to provide internet banking and mobile banking channels, and our plans to develop additional remote

connectivity solutions to serve our customers. While we have not experienced any material losses relating to cyber-attacks or other information security breaches to date, we have been the subject of attempted hacking and cyber-attacks and there can be no assurance that we will not suffer such losses in the future. The occurrence of any cyber-attack or information security breach could result in potential liability to clients, reputational damage and the disruption of our operations, all of which could adversely affect our business, financial condition or results of operations.

We rely on other companies to provide key components of our business infrastructure.

Third parties provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, failure of a vendor to provide services for any reason or poor performance of services, could

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adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. Financial or operational difficulties of a third party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations.

The costs and effects of litigation, investigations or similar matters involving us or other financial institutions or counterparties, or adverse facts and developments related thereto, could materially affect our business, operating results and financial condition.

We may be involved from time to time in a variety of litigation, investigations, inquiries or similar matters arising out of our business, including those described in “Part I, Item 3 - Legal Proceedings” and "Part II - Item 8. Financial Statements and Supplementary Data - Note 21 - Legal Proceedings" of this Report. Synovus cannot predict the outcome of these or any other legal matters. For those legal matters where Synovus is able to estimate a range of reasonably possible losses, Synovus' management currently estimates the aggregate range of reasonably possible losses is from zero to $75 million. This estimated aggregate range is based upon information currently available to Synovus, and the actual losses could prove to be higher (or lower). 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. In addition, in the future, we may need to record litigation reserves with respect to these matters. Further, regardless of how these matters proceed, it could divert our management's attention and other resources away from our business.

Our insurance may not cover all claims that may be asserted against it and indemnification rights to which we are entitled may not be honored, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our business, financial condition and results of operations. In addition, premiums for insurance covering the financial and banking sectors are rising. We may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms or at historic rates, if at all.

We may be required to record goodwill impairment charges in the future.

Under GAAP, we are required to review the carrying amounts of our assets, including goodwill, to determine whether current events or circumstances warrant adjustments to those amounts. Goodwill is tested for impairment on an annual basis and as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. At December 31, 2012, the carrying value of goodwill was $24.4 million, consisting of goodwill associated with two financial management services reporting units. These determinations are based in part on our judgments regarding the cash flow potential of the reporting units, and involve projections that are inherently subject to change based on future events. “See “Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Goodwill" and “Part II, Item 8. Financial Statements and Supplementary Data - Note 8 - Goodwill” in this Report for further information. A significant negative change in the expected future cash flows, estimated fair value or any of the other assumptions used in evaluating goodwill may necessitate us taking charges in the future related to the impairment of our goodwill.

Our customers may pursue alternatives to bank deposits, which could affect our income and force us to rely on relatively more expensive sources of funding.

We may experience an outflow of deposits because customers seek investments with higher yields, including by banking with on-line banks that offer higher rates than traditional banks, prefer to do business with our competitors, or decide not to use banks to complete their financial transactions. Technology and other changes now allow parties to complete financial transactions without banks. This outflow of deposits could result in the loss of fee income, as well as the loss of client deposits and the income generated from those deposits. Furthermore, it could force us to rely more heavily on borrowings and other sources of funding to fund our business and meet withdrawal demands, thereby adversely affecting our net interest margin. We may also be forced, to rely more heavily on equity to fund our business, resulting in dilution of our existing shareholders.

Changes in the soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. We have exposure to many different industries and counterparties, and we routinely execute transactions with a variety of counterparties in the financial services industry. As a result, defaults by, or even rumors or concerns about, one or more financial institutions with which we do business, or the financial services industry, generally have led to market-wide liquidity problems in the past and could do so in the future and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral we hold cannot be sold at prices that are sufficient for us to recover the full amount of our exposure. Any such losses could materially and adversely affect our financial condition and results of operations.

Our stock price has been and is likely to be volatile, and the value of your investment may decline.

The trading price of our Common Stock has been and is likely to be highly volatile and subject to wide fluctuations in price. The stock market in general, and the market for commercial banks and other financial services companies in particular, has experienced significant price and volume fluctuations that sometimes have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our Common Stock, regardless of our operating performance, and the value of your investment may decline.

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.

Synovus Mortgage sells substantially all of the mortgage loans that it originates. 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 loans sold were in breach of these representations or warranties, Synovus Mortgage has obligations to either repurchase the loan at the unpaid principal balance and related investor fees or make the purchaser whole for any economic losses associated with the loan. In addition, the Dodd-Frank Act contains provisions designed to address perceived deficiencies in the residential mortgage loan origination and underwriting process, in part by creating new documentation requirements and underwriting criteria and increasing the potential liability of Synovus and Synovus Mortgage to their customers if Synovus and Synovus Mortgage fail to take steps to ensure and document that each borrower has the capacity and the ability to repay their loans.

To date, repurchase activity pursuant to the terms of these representations and warranties has been minimal and has primarily been associated with loans originated from 2005 through 2008. From January 1, 2005 through December 31, 2012, Synovus Mortgage originated and sold approximately $7.11 billion of first lien GSE eligible mortgage loans and approximately $3.10 billion of first and second lien non-GSE eligible mortgage loans. The total expense pertaining to losses from repurchases of mortgage loans previously sold, including amounts accrued in accordance with ASC 450, was $6.7 million, $4.1 million, and $1.3 million, for the years ended December 31, 2012, 2011, and 2010, respectively. The total accrued liability related to mortgage repurchase claims was $5.2 million and $3.3 million at December 31, 2012 and 2011, respectively. We cannot assure you that in the current environment, Synovus Mortgage will not be required to repurchase substantially greater amounts of such mortgage loans, or make related indemnity payments to the purchasers of our mortgage loans. If the level of repurchases or indemnity demands becomes significant or Synovus Mortgage is alleged to be in non-compliance with the regulations under the Dodd-Frank Act, our results of operations may be adversely affected.

The Consumer Financial Protection Bureau, or CFPB, recently issued “ability-to-repay” and “qualified mortgage” rules that may have a negative impact on our loan origination process and foreclosure proceedings, which could adversely affect our business, operating results and financial condition.

The CFPB recently issued rules that are likely to impact our residential mortgage lending practices, and the residential mortgage market generally including rules that implement the “ability-to-repay” requirement and provide protection from liability for “qualified mortgages,” as required by the Dodd-Frank Act. The ability-to-repay rule, which will take effect on January 10, 2014, requires lenders to consider, among other things, income, employment status, assets, payment amounts, and credit history before approving a mortgage, and provides a compliance “safe harbor” for lenders that issue certain “qualified mortgages.” The rules define a “qualified mortgage” to have certain specified characteristics, and generally prohibit loans with negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years from being qualified mortgages. The rule also establishes general underwriting criteria for qualified mortgages, including that monthly payments be calculated based on the highest payment that will apply in the first five years of the loan and that the borrower have a total debt-to-income ratio that is less than or equal to 43 percent. While “qualified mortgages” will generally be afforded safe harbor status, a rebuttable presumption of compliance will attach to mortgages that also meet the definition of a “higher priced mortgage” (which are generally subprime loans).

Although the new “qualified mortgage” rules may provide better definition and more certainty regarding regulatory requirements, the rules may also increase our compliance burden and reduce our lending flexibility and discretion, which could negatively impact our ability to originate new loans and the cost of originating new loans. Any loans that we make outside of the “qualified mortgage” criteria could expose us to an increased risk of liability and reduce or delay our ability to foreclose on the underlying property. Additionally, qualified “higher priced mortgages” only provide a rebuttable presumption of compliance and thus may be more susceptible to challenges from borrowers. It is difficult to predict how the CFPB's “qualified mortgage” rules will impact us when they take effect, but any decreases in loan origination volume or increases in compliance and foreclosure costs could negatively affect our business, operating results and financial condition.

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ITEM 1B. UNRESOLVED STAFF COMMENTS
NONE.

ITEM 2. PROPERTIES
We and our subsidiaries own or lease all of the real property and/or buildings in which we operate business. All of such buildings are in a good state of repair and are appropriately designed for and are suitable for the purposes for which they are used.
We and our subsidiaries own 278 facilities encompassing approximately 2,460,444 square feet and lease from third parties 79 facilities encompassing approximately 810,174 square feet. The owned and leased facilities are primarily comprised of office space from which we conduct our business. The following table provides additional information with respect to our leased facilities:

Table 6 - Properties

Square Footage	Number of Locations	Average Square Footage
Under 3,000	18	1,771
3,000 – 9,999	38	5,007
10,000 – 18,999	7	13,251
19,000 – 30,000	10	24,365
Over 30,000	6	41,937

See "Part II - Item 8. Financial Statements and Supplementary Data - Note 20 - Commitments and Contingencies" of this Report for further information.

ITEM 3. LEGAL PROCEEDINGS
Synovus and its subsidiaries are subject to various legal proceedings and claims 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. In the wake of the ongoing financial credit crisis that began in 2007, Synovus, like many other financial institutions, has become the target of numerous legal actions and other proceedings asserting claims for damages and related relief for losses resulting from this crisis. These actions include 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 several purported putative class action matters. In addition to actual damages if Synovus does not prevail in any asserted legal action, credit-related litigation could result in additional write-downs or charge-offs of assets, which would adversely affect Synovus' results of operations during the period in which the write-down or charge-off occurred.

Based on our 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, operating results 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 II - Item 8. Financial Statements and Supplementary Data - Note 21 - Legal Proceedings" of this Report, which Note is incorporated in this Item 3 by this reference.

ITEM 4. MINE SAFETY DISCLOSURES

NOT APPLICABLE.

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Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES

Shares of our Common Stock are traded on the NYSE under the symbol "SNV." On February 28, 2013, the closing price per share of our Common Stock as quoted, at the end of regular trading, on the NYSE was $2.54.

Market and Stock Price Information

Table below sets forth the high and low sales prices of our Common Stock during the years ended December 31, 2012 and December 31, 2011 as reported on the NYSE.

Table 7 – Stock Price Information

	High	Low
2012		
Quarter ended December 31, 2012	$2.60	2.07
Quarter ended September 30, 2012	2.51	1.81
Quarter ended June 30, 2012	2.17	1.67
Quarter ended March 31, 2012	2.22	1.43
2011		
Quarter ended December 31, 2011	$1.68	0.94
Quarter ended September 30, 2011	2.20	1.07
Quarter ended June 30, 2011	2.77	1.99
Quarter ended March 31, 2011	2.99	2.37

As of February 14, 2013, there were 787,353,704 shares of Synovus Common Stock issued and outstanding and 20,252 shareholders of record of Synovus Common Stock, some of which are holders in nominee name for the benefit of a number of different shareholders.

Dividends

Table below sets forth information regarding dividends declared during the years ended December 31, 2012 and 2011.

Table 8 – Dividends

	Date Paid	Per Share Amount
2012		
Quarter ended December 31, 2012	January 2, 2013	$0.0100
Quarter ended September 30, 2012	October 1, 2012	0.0100
Quarter ended June 30, 2012	July 2, 2012	0.0100
Quarter ended March 31, 2012	April 2, 2012	0.0100
2011		
Quarter ended December 31, 2011	January 3, 2012	$0.0100
Quarter ended September 30, 2011	October 3, 2011	0.0100
Quarter ended June 30, 2011	July 1, 2011	0.0100
Quarter ended March 31, 2011	April 1, 2011	0.0100

In addition to dividends paid on Synovus' Common Stock, Synovus paid dividends of $48.4 million to the Treasury on its Series A Preferred Stock during each of 2012 and 2011. See "Part I – Item 1. Business – TARP Regulations – Capital Purchase Program" of this Report for further information.

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Synovus has historically paid a quarterly cash dividend to the holders of its Common Stock. Management closely monitors trends and developments in credit quality, liquidity (including dividends from subsidiaries, which are expected to be significantly lower than those received in previous years), financial markets and other economic trends, as well as regulatory requirements regarding the payment of dividends, all of which impact Synovus' capital position, and will continue to periodically review dividend levels to determine if they are appropriate in light of these factors and the restrictions on payment of dividends described below.

Under the laws of the State of Georgia, we, as a business corporation, may declare and pay dividends in cash or property unless the payment or declaration would be contrary to restrictions contained in our Articles of Incorporation, or unless, after payment of the dividend, we would not be able to pay our debts when they become due in the usual course of our business, or our total assets would be less than the sum of our total liabilities. In addition, we are also subject to federal regulatory capital requirements that effectively limit the amount of cash dividends, if any, that we may pay.

Synovus' ability to pay dividends is partially dependent upon dividends and distributions that it receives from Synovus Bank and its non-banking subsidiaries, which are restricted by various regulations administered by federal and state bank regulatory authorities. Synovus did not receive any dividends from Synovus Bank during 2012 and 2011 and received significantly less in dividends from subsidiaries during 2010 than in previous years. 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 and overall financial condition. See "Part I - Item 1. Business - Supervision, Regulation and Other Factors - Dividends" of this Report for further information.

As a result of the MOU described in “Part I - Item 1A - Risk Factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock” of this Report, we are required to inform the Federal Reserve Board in advance of declaring or paying any future dividends, and the Federal Reserve Board could decide at any time that paying any Common Stock dividends could be an unsafe or unsound banking practice. In the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has in some cases discouraged payment unless both asset quality and capital are very strong. In addition, pursuant to the terms of the Synovus Bank MOU, Synovus Bank cannot pay any cash dividends without the approval of the FDIC and the Georgia Commissioner. See “Part I - Item 1. Business - Supervision, Regulation and Other Factors - Dividends,” and “Part I - Item 1A. Risk Factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock,” and “We may be unable to pay dividends on our Common Stock” of this Report. Additionally, Synovus is subject to contractual restrictions that limit its ability to pay dividends if there is an event of default under such contract. In addition, Synovus must seek the Federal Reserve's permission to increase the quarterly dividend on its Common Stock above $0.01 per share. Synovus is presently subject to, and in the future may become subject to, additional supervisory actions and/or enhanced regulation that could have a material negative effect on business, operating flexibility, financial condition, and the value of Synovus Common Stock.

See “Part I - Item 1. Business - Supervision, Regulation and Other Factors - Dividends," "Part I - Item 1A. Risk factors - We presently are subject to, and in the future may become subject to, supervisory actions and enhanced regulation that could have a material negative effect on our business, reputation, operating flexibility, financial condition and the value of our Common Stock” and “Part I - Item 1A. Risk Factors - We may be unable to pay dividends on our Common Stock” of this Report for additional information regarding dividends on Synovus stock.

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Stock Performance Graph

The following graph compares the yearly percentage change in cumulative shareholder return on Synovus stock with the cumulative total return of the Standard & Poor's 500 Index and the KBW Regional Bank Index for the last five fiscal years (assuming a $100 investment on December 31, 2007 and reinvestment of all dividends).

Table 9 - Stock Performance

	2007	2008	2009	2010	2011	2012
Synovus	$100	83.19	20.95	27.39	15.04	26.56
Standard & Poor's 500 Index	100	63.45	79.90	91.74	93.67	108.55
KBW Regional Bank Index	$100	81.69	63.45	76.26	72.28	81.93

Issuer Purchases of Equity Securities

Synovus did not repurchase any shares of Synovus Common Stock during 2011 or 2012.

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ITEM 6. SELECTED FINANCIAL DATA

Table 10 - Selected Financial Data	Years Ended December 31,				
(in thousands, except per share data)	2012	2011	2010	2009	2008
Income Statement					
Total revenues[1]	$1,128,941	1,188,021	1,292.951	1,406,913	1,495,089
Net interest income	854,117	924,154	986,333	1,010,310	1,077,893
Provision for loan losses	320,369	418,795	1,131,274	1,805,599	699,883
Non-interest income	313,966	338,874	305,347	410,670	417,241
Non-interest income excluding investment securities (gains) losses, net[7]	274,824	263,867	306,618	396,603	417,196
Non-interest expense	816,237	903,765	1,009,576	1,221,289	1,456,057
Income (loss) from continuing operations, net of income taxes	830,209	(60,844)	(834,019)	(1,433,931)	(580,376)
Income from discontinued operations, net of income taxes[2]	—	—	43,162	4,590	5,650
Net income (loss)	830,209	(60,844)	(790,857)	(1,429,341)	(574,726)
Net income (loss) attributable to non-controlling interest	—	(220)	(179)	2,364	7,712
Net income (loss) available to controlling interest	830,209	(60,624)	(790,678)	(1,431,705)	(582,438)
Dividends and accretion of discount on Series A Preferred Stock	58,703	58,088	57,510	56,966	2,057
Net income (loss) available to common shareholders	771,506	(118,712)	(848,188)	(1,488,671)	(584,495)
Per share data					
Basic net income (loss) per common share:					
Net income (loss) from continuing operations available to common shareholders	0.98	(0.15)	(1.30)	(4.00)	(1.79)
Net income (loss) available to common shareholders	0.98	(0.15)	(1.24)	(3.99)	(1.77)
Diluted net income (loss) per common share:					
Net income (loss) from continuing operations available to common shareholders	0.85	(0.15)	(1.30)	(4.00)	(1.79)
Net income (loss) available to common shareholders	0.85	(0.15)	(1.24)	(3.99)	(1.77)
Cash dividends declared on Common Stock	0.04	0.04	0.04	0.04	0.46
Book value per common share[3]	2.99	2.06	2.29	3.93	8.68
Tangible book value per common share[7]	2.95	2.02	2.25	3.84	8.50
Balance Sheet					
Investment securities available for sale	2,981,112	3,690,125	3,440,268	3,188,735	3,770,022
Loans, net of deferred fees and costs	19,541,690	20,079,813	21,585,763	25,383,068	27,920,177
Deposits	21,057,044	22,411,752	24,500,304	27,433,533	28,617,179
Long-term debt	1,726,455	1,364,727	1,808,161	1,751,592	2,107,173
Total shareholders’ equity	3,569,431	2,827,452	2,997,918	2,851,041	3,787,158

Average total shareholders' equity	2,859,127		2,907,339	3,134,335	3,285,014	3,435,574
Average total assets	26,369,321		28,512,193	31,966,180	34,423,617	34,052,014
Performance ratios and other data						
Return on average assets	3.15	%	(0.21)	(2.47)	(4.16)	(1.71)
Return on average equity	29.04		(2.09)			