

SYNOVUS FINANCIAL CORP

Form 10-Q

November 09, 2012

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 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 | 31901 |
| Suite 500, Columbus, Georgia | (Zip Code) |
| (Address of principal executive offices) | |
| Registrant's telephone number, including area code: (706) 649-2311 | |
| Securities registered pursuant to Section 12(b) of the Act: | |
| Title of each class | Name of each exchange on which registered |
| Common Stock, \$1.00 Par Value | New York Stock Exchange |
| Tangible Equity Units | New York Stock Exchange |
| Series B Participating Cumulative Preferred Stock | New York Stock Exchange |
| Purchase Rights | |
| Securities registered pursuant to Section 12(g) of the Act: NONE | |

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO "

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

(Do not check if a smaller reporting company)

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

YES NO

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

Class

October 31, 2012

Common Stock, \$1.00 Par Value

786,575,516 shares

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SYNOVUS FINANCIAL CORP.

INDEX OF DEFINED TERMS

2013 Senior Notes – Synovus' outstanding 4.875% Senior Notes due February 15, 2013

2019 Senior Notes – Synovus' 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

b.p. – basis point (b.p.s - 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

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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 – There are 12 banks that are the operating arms of the 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.

FINRA – Financial Industry Regulatory Authority

FFIEC – Federal Financial Institutions Examination Council

FHLB – Federal Home Loan Bank

FICO – Fair Isaac Corporation

FIN – Financial Interpretation

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 line of credit

IASB – International Accounting Standards Board

IFRS – International Financial Reporting Standards

IOLTA – Interest on Lawyer Trust Account

IPO – Initial Public Offering

IRC – Internal Revenue Code of 1986, as amended

IRS – Internal Revenue Service

LGD – loss given default

LIBOR – London Interbank Offered Rate

LIHTC – Low Income Housing Tax Credit

LTV – loan-to-collateral value ratio

MAD – Managed Assets Division, a division of Synovus Bank

MBS – mortgage-backed securities

MOU – Memorandum of Understanding

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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
SAB – SEC Staff Accounting Bulletin
SBA – Small Business Administration
SEC – U.S. Securities and Exchange Commission
Securities Act – Securities Act of 1933, as amended
Series A Preferred Stock – Synovus' Fixed Rate Cumulative Perpetual Preferred Stock, Series A, without par value
Shared Deposit – Prior to the Charter Consolidation, Synovus offered this deposit product which gave its customers the opportunity to access up to \$7.5 million in FDIC insurance by spreading deposits across its 30 separately-chartered banks.
Synovus – Synovus Financial Corp.
Synovus Bank – A Georgia state-chartered bank, formerly known as Columbus Bank and Trust Company, and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations
Synovus' 2011 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2011
Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank
Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank
TAGP – Transaction Account Guarantee Program
TARP – Troubled Assets Relief Program
TBA – to-be-announced securities with respect to mortgage-related securities to be delivered in the future (MBSs and CMOs)
TDR – troubled debt restructuring (as defined 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 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

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

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

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

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

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

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

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PART I. FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS
SYNOVUS FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)

| (in thousands, except share and per share data) | September 30, 2012 | December 31, 2011 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$454,028 | 510,423 |
| Interest bearing funds with Federal Reserve Bank | 815,156 | 1,567,006 |
| Interest earning deposits with banks | 27,215 | 13,590 |
| Federal funds sold and securities purchased under resale agreements | 116,318 | 158,916 |
| Trading account assets, at fair value | 5,953 | 16,866 |
| Mortgage loans held for sale, at fair value | 246,224 | 161,509 |
| Other loans held for sale | 11,254 | 30,156 |
| Investment securities available for sale, at fair value | 3,229,440 | 3,690,125 |
| Loans, net of deferred fees and costs | 19,731,865 | 20,079,813 |
| Allowance for loan losses | (420,404 |) (536,494 |
| Loans, net | 19,311,461 | 19,543,319 |
| Premises and equipment, net | 475,222 | 486,923 |
| Goodwill | 24,431 | 24,431 |
| Other intangible assets, net | 5,895 | 8,525 |
| Other real estate | 189,182 | 204,232 |
| Other assets | 852,865 | 746,824 |
| Total assets | \$25,764,644 | 27,162,845 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Deposits: | | |
| Non-interest bearing deposits | \$5,503,288 | 5,366,868 |
| Interest bearing deposits, excluding brokered deposits | 14,423,583 | 15,261,710 |
| Brokered deposits | 919,959 | 1,783,174 |
| Total deposits | 20,846,830 | 22,411,752 |
| Federal funds purchased and securities sold under repurchase agreements | 165,865 | 313,757 |
| Long-term debt | 1,654,183 | 1,364,727 |
| Other liabilities | 222,066 | 245,157 |
| Total liabilities | 22,888,944 | 24,335,393 |
| Shareholders' Equity | | |
| Series A Preferred Stock – no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding at September 30, 2012 and December 31, 2011 | 954,690 | 947,017 |
| Common stock - \$1.00 par value. Authorized 1,200,000,000 shares; issued 792,268,968 at September 30, 2012 and 790,988,880 at December 31, 2011; outstanding 786,575,516 at September 30, 2012 and 785,295,428 at December 31, 2011 | 792,269 | 790,989 |
| Additional paid-in capital | 2,202,903 | 2,241,171 |
| Treasury stock, at cost – 5,693,452 shares at September 30, 2012 and December 31, 2011 | (114,176 |) (114,176 |
| Accumulated other comprehensive income | 16,156 | 21,093 |
| Accumulated deficit | (976,142 |) (1,058,642 |

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| | | |
|--|--------------|------------|
| Total shareholders' equity | 2,875,700 | 2,827,452 |
| Total liabilities and shareholders' equity | \$25,764,644 | 27,162,845 |

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| (in thousands, except per share data) | Nine Months Ended | | Three Months Ended | |
|---|-------------------|----------|--------------------|---------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Interest income: | | | | |
| Loans, including fees | \$700,620 | 773,586 | 229,814 | 251,952 |
| Investment securities available for sale | 55,511 | 83,969 | 15,039 | 26,620 |
| Trading account assets | 770 | 691 | 255 | 212 |
| Mortgage loans held for sale | 4,260 | 4,343 | 1,764 | 1,309 |
| Federal Reserve Bank balances | 2,697 | 5,363 | 688 | 1,839 |
| Other earning assets | 282 | 501 | 116 | 38 |
| Total interest income | 764,140 | 868,453 | 247,676 | 281,970 |
| Interest expense: | | | | |
| Deposits | 77,529 | 138,086 | 21,144 | 42,653 |
| Federal funds purchased and securities sold under repurchase agreements | 505 | 851 | 155 | 256 |
| Long-term debt | 39,445 | 32,518 | 14,032 | 10,458 |
| Total interest expense | 117,479 | 171,455 | 35,331 | 53,367 |
| Net interest income | 646,661 | 696,998 | 212,345 | 228,603 |
| Provision for loan losses | 173,843 | 364,230 | 63,572 | 102,325 |
| Net interest income after provision for loan losses | 472,818 | 332,768 | 148,773 | 126,278 |
| Non-interest income: | | | | |
| Service charges on deposit accounts | 57,319 | 59,595 | 20,404 | 20,039 |
| Fiduciary and asset management fees | 31,966 | 35,046 | 10,340 | 11,631 |
| Brokerage revenue | 19,786 | 19,067 | 6,844 | 6,556 |
| Mortgage banking income | 23,247 | 15,469 | 9,261 | 7,427 |
| Bankcard fees | 23,938 | 34,344 | 7,866 | 11,562 |
| Investment securities gains, net | 30,909 | 64,670 | 6,656 | 62,873 |
| Other fee income | 14,927 | 15,643 | 5,276 | 5,423 |
| Increase (decrease) in fair value of private equity investments, net | 6,428 | (941) | (944) | (771) |
| Other non-interest income | 25,329 | 22,512 | 7,530 | 8,652 |
| Total non-interest income | 233,849 | 265,405 | 73,233 | 133,392 |
| Non-interest expense: | | | | |
| Salaries and other personnel expense | 280,972 | 278,431 | 93,177 | 93,184 |
| Net occupancy and equipment expense | 79,512 | 86,698 | 26,647 | 27,981 |
| FDIC insurance and other regulatory fees | 37,171 | 45,826 | 9,205 | 15,463 |
| Foreclosed real estate expense, net | 55,677 | 101,716 | 11,997 | 37,108 |
| Losses (gains) on other loans held for sale, net | 4,005 | (2,591) | 4,104 | (846) |
| Professional fees | 29,270 | 30,264 | 10,074 | 10,135 |
| Data processing expense | 25,020 | 27,225 | 8,284 | 9,024 |
| Visa indemnification charges | 5,546 | 96 | 833 | — |
| Restructuring charges | 3,444 | 30,026 | 1,192 | 2,587 |
| Other operating expenses | 82,273 | 86,992 | 25,979 | 27,916 |
| Total non-interest expense | 602,890 | 684,683 | 191,492 | 222,552 |
| Income (loss) before income taxes | 103,777 | (86,510) | 30,514 | 37,118 |
| Income tax (benefit) expense | (2,393) | 1,690 | (211) | 6,910 |

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| | | | | |
|---|----------|----------|----------|---------|
| Net income (loss) | 106,170 | (88,200 |) 30,725 | 30,208 |
| Net loss attributable to non-controlling interest | — | (220 |) — | — |
| Net income (loss) available to controlling interest | 106,170 | (87,980 |) 30,725 | 30,208 |
| Dividends and accretion of discount on preferred stock | 43,968 | 43,510 | 14,695 | 14,541 |
| Net income (loss) available to common shareholders | \$62,202 | (131,490 |) 16,030 | 15,667 |
| Earnings per common share: | | | | |
| Net income (loss) available to common shareholders, basic | \$0.08 | (0.17 |) 0.02 | 0.02 |
| Net income (loss) available to common shareholders, diluted | 0.07 | (0.17 |) 0.02 | 0.02 |
| Weighted average common shares outstanding, basic | 786,429 | 785,267 | 786,576 | 785,280 |
| Weighted average common shares outstanding, diluted | 909,717 | 785,267 | 910,396 | 911,247 |

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

| (in thousands) | Nine Months Ended September 30, 2012 | | | Nine Months Ended September 30, 2011 | | | Three Months Ended September 30, 2012 | | | Three Months Ended September 30, 2011 | | |
|--|---|-----------------------------|-------------------------|---|-----------------------------|-------------------------|--|-----------------------------|-------------------------|--|-----------------------------|-------------------------|
| | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before-tax Amount | Tax (Expense) Benefit | Net of Tax Amount |
| Net income (loss) | \$103,777 | 2,393 | 106,170 | (86,510) | (1,690) | (88,200) | 30,514 | 211 | 30,725 | 37,118 | (6,910) | 30,208 |
| Net unrealized gains (losses) on cash flow hedges: | | | | | | | | | | | | |
| Net unrealized gains (losses) arising during the period | (1,492) | 575 | (917) | (9,478) | 3,588 | (5,890) | 49 | (19) | 30 | (2,504) | 974 | (1,530) |
| Valuation allowance for the change in deferred taxes arising from unrealized gains/losses ⁽¹⁾ | — | (575) | (575) | — | (3,561) | (3,561) | — | 33 | 33 | — | (3,561) | (3,561) |
| Net unrealized gains (losses) on investment securities available for sale: | | | | | | | | | | | | |
| Net unrealized gains (losses) arising during the period | (1,492) | — | (1,492) | (9,478) | 27 | (9,451) | 49 | 14 | 63 | (2,504) | (2,587) | (2,587) |
| Reclassification adjustment for (gains) losses realized in net income | (30,909) | 11,900 | (19,009) | (64,670) | 24,899 | (39,771) | (6,656) | 2,563 | (4,093) | (62,873) | 24,207 | (38,666) |
| Valuation allowance for the change in deferred taxes arising from unrealized gains/losses ⁽¹⁾ | — | (1,567) | (1,567) | — | (6,383) | (6,383) | — | 3,506 | 3,506 | — | (6,383) | (6,383) |

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|--|----------|--------|----------|------------|----------|------------|--------|-------|--------|-----------|----------|
| Net unrealized gains (losses) | (4,061) | — | (4,061) | (15,501) | (17) | (15,518) | 9,116 | — | 9,116 | (36,167) | 7,542 |
| Amortization of post-retirement unfunded health benefit: | | | | | | | | | | | |
| Amortization arising during the period | 616 | (237) | 379 | — | — | — | (26) | 10 | (16) | — | — |
| Valuation allowance for the change in deferred taxes arising from amortization | — | 237 | 237 | — | — | — | — | (10) | (10) | — | — |
| Amortization | 616 | — | 616 | — | — | — | (26) | — | (26) | — | — |
| Other comprehensive income (loss) | (4,937) | — | (4,937) | (24,979) | 10 | (24,969) | 9,139 | 14 | 9,153 | (38,671) | 4,955 |
| Less: comprehensive loss attributable to non-controlling interest | — | — | — | (220) | — | (220) | — | — | — | — | — |
| Comprehensive income (loss) | \$98,840 | 2,393 | 101,233 | (111,269) | (1,680) | (112,949) | 39,653 | 225 | 39,878 | (1,553) | (1,955) |

(1) In accordance with ASC 740-20-45-11(b), the deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income is charged directly to other comprehensive income (loss).

See accompanying notes to unaudited interim consolidated financial statements.

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SYNOVUS FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

| (in thousands, except per share data) | Preferred Stock | Common Stock | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income | Accumulated Deficit | Non-Controlling Interest | Total |
|---|--------------------|-----------------|----------------------------------|-------------------|---|------------------------|-----------------------------|-----------|
| Balance at December 31, 2010 | \$937,323 | 790,956 | 2,293,264 | (114,176) | 57,158 | (966,607) | 26,629 | 3,024,547 |
| Net loss | — | — | — | — | — | (87,980) | (220) | (88,200) |
| Other comprehensive loss, net of taxes | — | — | — | — | (24,969) | — | — | (24,969) |
| Cash dividends declared on common stock - \$0.03 per share | — | — | — | — | — | (23,558) | — | (23,558) |
| Cash dividends paid on preferred stock | — | — | (36,296) | — | — | — | — | (36,296) |
| Accretion of discount on preferred stock | 7,215 | — | (7,215) | — | — | — | — | — |
| Restricted share unit activity | — | 18 | (18) | — | — | — | — | — |
| Share-based compensation expense | — | — | 4,333 | — | — | — | — | 4,333 |
| Change in ownership at majority-owned subsidiary | — | — | — | — | — | — | (26,409) | (26,409) |
| Balance at September 30, 2011 | \$944,538 | 790,974 | 2,254,068 | (114,176) | 32,189 | (1,078,145) | — | 2,829,448 |
| Balance at December 31, 2011 | \$947,017 | 790,989 | 2,241,171 | (114,176) | 21,093 | (1,058,642) | — | 2,827,452 |
| Net income | — | — | — | — | — | 106,170 | — | 106,170 |
| Other comprehensive loss, net of taxes | — | — | — | — | (4,937) | — | — | (4,937) |
| Cash dividends declared on common stock - \$0.03 per share | — | — | — | — | — | (23,597) | — | (23,597) |
| Cash dividends paid on preferred stock | — | — | (36,295) | — | — | — | — | (36,295) |
| | 7,673 | — | (7,673) | — | — | — | — | — |

| | | | | | | | | |
|--|-----------|---------|-----------|-----------|--------|------------|---|-----------|
| Accretion of discount on preferred stock | | | | | | | | |
| Restricted share unit activity | — | 1,280 | (1,207) | — | — | (73) | — | — |
| Share-based compensation expense | — | — | 6,907 | — | — | — | — | 6,907 |
| Balance at September 30, 2012 | \$954,690 | 792,269 | 2,202,903 | (114,176) | 16,156 | (976,142) | — | 2,875,700 |

See accompanying notes to unaudited interim consolidated financial statements.

Table of ContentsSYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| (in thousands) | Nine Months Ended September 30, | |
|--|---------------------------------|--------------|
| | 2012 | 2011 |
| Operating Activities | | |
| Net income (loss) | \$ 106,170 | (88,200) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Provision for loan losses | 173,843 | 364,230 |
| Depreciation, amortization, and accretion, net | 46,940 | 34,911 |
| Deferred income tax expense (benefit) | 153 | (341) |
| Decrease in interest receivable | 9,029 | 16,950 |
| Decrease in interest payable | (8,406) | (12,676) |
| Decrease in trading account assets | 10,913 | 4,827 |
| Originations of mortgage loans held for sale | (892,573) | (665,277) |
| Proceeds from sales of mortgage loans held for sale | 819,635 | 776,557 |
| Gains on sale of mortgage loans held for sale, net | (10,809) | (5,292) |
| (Increase) decrease in prepaid and other assets | (116,519) | 75,637 |
| Increase in accrued salaries and benefits | 5,697 | 4,870 |
| (Decrease) increase in other liabilities | (20,382) | 4,872 |
| Investment securities gains, net | (30,909) | (64,670) |
| Losses (gains) on sales of other loans held for sale, net | 4,005 | (2,591) |
| Losses on other real estate, net | 42,695 | 87,814 |
| (Increase) decrease in fair value of private equity investments, net | (6,428) | 941 |
| Losses (gains) on sales of other assets held for sale, net | (162) | (1,247) |
| Write downs on other assets held for sale | 2,063 | 7,005 |
| Loss on curtailment of post-retirement health benefit plan | — | 398 |
| Share-based compensation | 6,907 | 4,333 |
| Other, net | (899) | (7,332) |
| Net cash provided by operating activities | 140,963 | 535,719 |
| Investing Activities | | |
| Net increase in interest earning deposits with banks | (13,625) | (5,114) |
| Net decrease (increase) in federal funds sold and securities purchased under resale agreements | 42,598 | (28,802) |
| Net decrease in interest bearing funds with Federal Reserve Bank | 751,850 | 352,943 |
| Proceeds from maturities and principal collections of investment securities available for sale | 1,063,512 | 784,961 |
| Proceeds from sales of investment securities available for sale | 909,485 | 1,753,686 |
| Purchases of investment securities available for sale | (1,510,566) | (2,444,695) |
| Proceeds from sales of other loans held for sale | 176,241 | 268,612 |
| Proceeds from sale of other real estate | 94,463 | 124,663 |
| Principal payments on other loans held for sale | 4,466 | 38,385 |
| Net (increase) decrease in loans | (231,243) | 583,982 |
| Purchases of premises and equipment | (17,405) | (10,665) |
| Proceeds from disposals of premises and equipment | 3,179 | 6,414 |
| Proceeds from sales of other assets held for sale | 6,732 | 4,616 |
| Net cash provided by investing activities | 1,279,687 | 1,428,986 |
| Financing Activities | | |

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| | | | |
|---|------------|--------------|---|
| Net increase in demand and savings deposits | 73,630 | 490,521 | |
| Net (decrease) in certificates of deposit | (1,638,551 |) (1,881,398 |) |
| Net (decrease) in federal funds purchased and securities sold under repurchase agreements | (147,893 |) (170,420 |) |
| Principal repayments on long-term debt | (364,339 |) (445,538 |) |
| Proceeds from issuance of long-term debt | 660,000 | 165,000 | |
| Dividends paid to common shareholders | (23,597 |) (23,558 |) |
| Dividends paid to preferred shareholders | (36,295 |) (36,296 |) |
| Net cash used in financing activities | (1,477,045 |) (1,901,689 |) |

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| | | | |
|---|-----------|-----------|---------|
| (Decrease) increase in cash and cash equivalents | (56,395 |) 63,016 | |
| Cash and cash equivalents at beginning of period | 510,423 | | 389,021 |
| Cash and cash equivalents at end of period | \$454,028 | | 452,037 |
| Supplemental Cash Flow Information | | | |
| Cash (received) paid during the period for: | | | |
| Income tax (refunds) payments, net | \$(7,804 |) 2,821 | |
| Interest paid | 107,201 | | 154,456 |
| Non-cash Activities: | | | |
| Decrease in net unrealized gains on investment securities available for sale | (4,061 |) (15,502 |) |
| Decrease in net unrealized gains on hedging instruments | (1,492 |) (2,475 |) |
| Amortization of post-retirement unfunded health benefit | 616 | | — |
| Mortgage loans held for sale transferred to loans at fair value | 1,542 | | 6,442 |
| Loans foreclosed and transferred to other real estate at fair value | 113,966 | | 173,461 |
| Loans transferred to other loans held for sale, at fair value | 176,891 | | 280,324 |
| Other loans held for sale foreclosed and transferred to other real estate at fair value | 8,142 | | 16,966 |
| Other loans held for sale transferred to loans | 58 | | 20,043 |
| Premises and equipment transferred to other assets held for sale | 2,402 | | 28,048 |
| Securities purchased (sold) during the period but settled after period end | (178,267 |) 205,938 | |
| Accretion of discount for preferred stock issued to the U. S. Treasury | 7,673 | | 7,215 |

See accompanying notes to unaudited interim consolidated financial statements.

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Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

The accompanying unaudited interim consolidated financial statements of Synovus include the accounts of the Parent Company and its consolidated subsidiaries. Synovus provides integrated financial services, including commercial and retail banking, financial management, insurance, and mortgage services to its customers through 30 locally-branded divisions of its wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida, and Tennessee.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this Report have been included. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in Synovus' 2011 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2011 Form 10-K. In preparing the unaudited interim consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the respective consolidated balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses; the valuation of other real estate; the valuation of impaired and other loans held for sale; the fair value of investment securities; the fair value of private equity investments, the valuation of long-lived assets, goodwill, and other intangible assets; the valuation of deferred tax assets; the valuation of the Visa indemnification liability; and other contingent liabilities. In connection with the determination of the allowance for loan losses and the valuation of certain impaired loans and other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. In making this determination, management also considers other factors or recent developments, such as changes in absorption rates or market conditions at the time of valuation and anticipated sales prices based on management's plans for disposition.

A substantial portion of Synovus' loans are secured by real estate in five Southeastern states (Georgia, Alabama, Florida, South Carolina, and Tennessee). Accordingly, the ultimate collectability of a substantial portion of Synovus' loan portfolio is susceptible to changes in market conditions in these areas. Total commercial real estate loans represent approximately 34% of the total loan portfolio at September 30, 2012. Due to declines in real estate values over the past four years, the commercial real estate portfolio loans may have a greater risk of non-collection than other loans. Based on available information, management believes that the allowance for loan losses is adequate.

Management uses available information to recognize losses on loans, and future additions to the allowance may be necessary based on changes in economic conditions, the ability of borrowers to repay their loans, and management's plans for disposition. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Synovus' allowance for loan losses. Such agencies may require Synovus to make changes to the allowance for loan losses based on their judgment of information available to them at the time of their examination.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At September 30, 2012 and December 31, 2011, cash and cash equivalents included \$55.6 million and \$73.3 million, respectively, on deposit to meet Federal Reserve Bank requirements. At September 30, 2012 and December 31, 2011, \$15.6 million of the due from banks balance was restricted as to withdrawal, including \$15.0 million on deposit pursuant to a payment network arrangement.

Short-term Investments

Short-term investments consist of interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and federal funds sold and securities purchased under resale agreements. Interest earning deposits with banks include \$14.7 million at September 30, 2012 and \$10.4 million at December 31, 2011, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$110.0 million at September 30, 2012, and \$141.0 million at December 31, 2011, which is pledged to collateralize certain derivative instruments in a net liability position. Federal funds sold and securities purchased under resale agreements, federal funds purchased and securities sold under repurchase agreements, generally mature in one day.

Recently Adopted Accounting Standards Updates

Effective January 1, 2012, Synovus adopted the provisions of the following ASUs:

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ASU 2011-05, Presentation of Comprehensive Income. ASU 2011-05 was the result of a joint project with the IASB and FASB, and amends the guidance in ASC 220, Comprehensive Income, by eliminating the option to present components of OCI in the statement of changes in shareholders' equity. Instead, the new guidance now requires entities to present all non-owner changes in shareholders' equity either as a single continuous statement of comprehensive income or as two separate but consecutive statements. Synovus elected the two separate statement approach. See the consolidated statements of comprehensive income (loss) for the disclosures required under the provisions of this ASU. In addition, certain provisions of ASU 2011-05 were temporarily amended by ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05. One of the provisions of ASU 2011-05 requires entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented (for both interim and annual financial statements). This requirement is indefinitely deferred by ASU 2011-12, and will be further deliberated by the FASB at a future date. During the deferral period, Synovus will comply with all existing requirements for reclassification adjustments in ASC 220, which states that "an entity may display reclassification adjustments on the face of the financial statement in which comprehensive income is reported, or it may disclose reclassification adjustments in the notes to the financial statements."

ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure in U.S. GAAP and IFRS. Most of the amendments of ASU 2011-04 are clarifications of the FASB's intent about the application of existing fair value measurement and disclosure requirements. Other amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The new fair value measurement disclosures include additional quantitative and qualitative disclosures for Level 3 measurements, including a sensitivity analysis of fair value changes in unobservable inputs, and categorization by fair value hierarchy level for items for which the fair value is only disclosed. The adoption of this guidance impacted Synovus' financial statement disclosures, but did not affect Synovus' financial position or results of operations. Required changes to the fair value disclosures can be found in Note 7.

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

ASU 2011-08, Testing Goodwill for Impairment. Under the provisions of this update to the accounting standards, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step goodwill impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. Moreover, an entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then resume performing the qualitative assessment in any subsequent period. Synovus completed its annual goodwill impairment testing effective June 30, 2012. Synovus did not apply the qualitative assessment provisions of this ASU when performing the impairment analysis. See Management's Discussion and Analysis for additional information regarding Synovus' annual goodwill impairment tests.

Recently Issued Accounting Standards Updates

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This ASU requires additional disclosures about financial instruments and derivative instruments that are offset or subject to an enforceable master netting arrangement or similar agreement. This ASU is effective for the interim reporting period ending March 31, 2013, with retrospective disclosure for all comparative periods presented. At this time, Synovus does not have any financial instruments that would be subject to the new requirements of ASU

2011-11; therefore, the ASU is not expected to impact Synovus' financial position, results of operations, or cash flows. In July 2012, the FASB issued ASU 2012-02, Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. This ASU relates to testing intangibles other than goodwill for impairment. If certain conditions are met, the ASU provides for a qualitative impairment assessment instead of a quantitative assessment. For Synovus, the ASU primarily applies to core deposit intangibles, which have a current carrying value of only \$4.5 million. The ASU is not expected to have an impact on Synovus' financial position, results of operations, or cash flows.

Reclassifications

Prior periods' consolidated financial statements are reclassified whenever necessary to conform to the current periods' presentation.

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Subsequent Events

Synovus has evaluated for consideration, or disclosure, all transactions, events, and circumstances, if any, subsequent to the date of the consolidated balance sheet and through the date the accompanying unaudited interim consolidated financial statements were issued, and has reflected, or disclosed, those items within the unaudited interim consolidated financial statements and related footnotes as deemed appropriate.

Note 2 - Investment Securities

The following table summarizes Synovus' available for sale investment securities as of September 30, 2012 and December 31, 2011.

| (in thousands) | September 30, 2012 | | | |
|---|----------------------------------|------------------------------|-------------------------------|-------------|
| | Amortized Cost ⁽¹⁾ | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | \$356 | — | — | 356 |
| U.S. Government agency securities | 35,806 | 2,441 | — | 38,247 |
| Securities issued by U.S. Government sponsored enterprises | 364,706 | 5,393 | — | 370,099 |
| Mortgage-backed securities issued by U.S. Government agencies | 268,484 | 10,122 | — | 278,606 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 1,874,602 | 54,416 | — | 1,929,018 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | 586,757 | 2,716 | (3,016) |) 586,457 |
| State and municipal securities | 18,814 | 751 | (19) |) 19,546 |
| Equity securities | 3,647 | 174 | — | 3,821 |
| Other investments | 4,000 | 1 | (711) |) 3,290 |
| Total | \$3,157,172 | 76,014 | (3,746) |) 3,229,440 |
| | December 31, 2011 | | | |
| (in thousands) | Amortized Cost ⁽¹⁾ | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | \$426 | — | — | 426 |
| U.S. Government agency securities | 37,489 | 3,004 | — | 40,493 |
| Securities issued by U.S. Government sponsored enterprises | 667,707 | 8,333 | (619) |) 675,421 |
| Mortgage-backed securities issued by U.S. Government agencies | 266,682 | 19,071 | — | 285,753 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 1,955,988 | 46,275 | (257) |) 2,002,006 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | 651,379 | 1,646 | (1,525) |) 651,500 |
| State and municipal securities | 24,530 | 808 | (20) |) 25,318 |
| Equity securities | 4,147 | — | (388) |) 3,759 |
| Other investments | 5,449 | — | — | 5,449 |
| Total | \$3,613,797 | 79,137 | (2,809) |) 3,690,125 |

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

inconsequential.

At September 30, 2012 and December 31, 2011, investment securities with a fair value of \$2.11 billion and \$2.48 billion, respectively, were pledged to secure certain deposits, securities sold under repurchase agreements, and payment network arrangements as required by law and contractual agreements.

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Synovus has reviewed investment securities that are in an unrealized loss position as of September 30, 2012 and December 31, 2011 for OTTI and does not consider any securities in an unrealized loss position to be other-than-temporarily impaired. If Synovus intended to sell a security in an unrealized loss position, the entire unrealized loss would be reflected in income. Synovus does not intend to sell any of these investment securities prior to the recovery of the unrealized loss, which may be until maturity, and has the ability and intent to hold those securities for that period of time. Additionally, Synovus is not currently aware of any circumstances which will require it to sell any of the securities that are in an unrealized loss position.

Declines in the fair value of available for sale securities below their cost that are deemed to have OTTI are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Currently, unrealized losses on debt securities are attributable to increases in interest rates on comparable securities from the date of purchase. Synovus regularly evaluates its investment securities portfolio to ensure that there are no conditions that would indicate that unrealized losses represent other-than-temporary impairment. These factors include length of time that the security has been in a loss position, the extent that the fair value has been below amortized cost, and the credit standing of the issuer.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2012 and December 31, 2011 are presented below.

| (in thousands) | September 30, 2012 | | | | | | | | |
|---|----------------------|------------|-------------------|----------------------|------------|-------------------|----------------------|------------|-------------------|
| | Less than 12 Months | | | 12 Months or Longer | | | Total Fair Value | | |
| | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | 5 | 268,096 | (2,072) | 1 | 63,268 | (944) | 6 | 331,364 | (3,016) |
| State and municipal securities | — | — | — | 2 | 917 | (19) | 2 | 917 | (19) |
| Other investments | 2 | 2,289 | (711) | — | — | — | 2 | 2,289 | (711) |
| Total | 7 | \$270,385 | (2,783) | 3 | \$64,185 | (963) | 10 | \$334,570 | (3,746) |

| (in thousands) | December 31, 2011 | | | | | | | | |
|--|----------------------|------------|-------------------|----------------------|------------|-------------------|----------------------|------------|-------------------|
| | Less than 12 Months | | | 12 Months or Longer | | | Total Fair Value | | |
| | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses |
| Securities issued by U.S. Government sponsored enterprises | 5 | \$349,370 | (619) | — | \$— | — | 5 | \$349,370 | (619) |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 3 | 148,283 | (257) | — | — | — | 3 | 148,283 | (257) |
| | 5 | 337,060 | (1,521) | 1 | 297 | (4) | 6 | 337,357 | (1,525) |

| | | | | | | | | | | |
|---|----|-----------|--------|-----|---------|-----|------|-----------|--------|---|
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | | | | | | | | | | |
| State and municipal securities. | 1 | 32 | (3 |) 1 | 883 | (17 |) 2 | 915 | (20 |) |
| Equity securities | 2 | 2,367 | (388 |) — | — | — | 2 | 2,367 | (388 |) |
| Total | 16 | \$837,112 | (2,788 |) 2 | \$1,180 | (21 |) 18 | \$838,292 | (2,809 |) |

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The amortized cost and fair value by contractual maturity of investment securities available for sale at September 30, 2012 are shown below. The expected life of mortgage-backed securities or CMOs may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. For purposes of the maturity table, mortgage-backed securities and CMOs, which are not due at a single maturity date, have been classified based on the final contractual maturity date.

| (in thousands) | Distribution of Maturities at September 30, 2012 | | | | | Total |
|---|--|--------------|---------------|--------------------|--------------------|-----------|
| | Within One Year | 1 to 5 Years | 5 to 10 Years | More Than 10 Years | No Stated Maturity | |
| Amortized Cost | | | | | | |
| U.S. Treasury securities | \$— | 356 | — | — | — | 356 |
| U.S. Government agency securities | — | 1,265 | 32,512 | 2,029 | — | 35,806 |
| Securities issued by U.S. Government sponsored enterprises | 39,455 | 325,251 | — | — | — | 364,706 |
| Mortgage-backed securities issued by U.S. Government agencies | 4 | 332 | 1 | 268,147 | — | 268,484 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 2,238 | 9,564 | 1,234,495 | 628,305 | — | 1,874,602 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | — | — | 586,757 | — | 586,757 |
| State and municipal securities | 2,544 | 7,866 | 4,522 | 3,882 | — | 18,814 |
| Other investments | 1,000 | — | — | 3,000 | — | 4,000 |
| Securities with no stated maturity (equity securities) | — | — | — | — | 3,647 | 3,647 |
| Total | \$45,241 | 344,634 | 1,271,530 | 1,492,120 | 3,647 | 3,157,172 |
| Fair Value | | | | | | |
| U.S. Treasury securities | \$— | 356 | — | — | — | 356 |
| U.S. Government agency securities | — | 1,440 | 34,371 | 2,436 | — | 38,247 |
| Securities issued by U.S. Government sponsored enterprises | 40,843 | 329,256 | — | — | — | 370,099 |
| Mortgage-backed securities issued by U.S. Government agencies | 4 | 352 | 1 | 278,249 | — | 278,606 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | 2,322 | 10,039 | 1,251,878 | 664,779 | — | 1,929,018 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | — | — | 586,457 | — | 586,457 |
| State and municipal securities | 2,568 | 8,131 | 4,685 | 4,162 | — | 19,546 |

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| | | | | | | |
|--|----------|---------|-----------|-----------|-------|-----------|
| Other investments | 1,001 | — | — | 2,289 | — | 3,290 |
| Securities with no stated maturity (equity securities) | — | — | — | — | 3,821 | 3,821 |
| Total | \$46,738 | 349,574 | 1,290,935 | 1,538,372 | 3,821 | 3,229,440 |

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale during the nine and three months ended September 30, 2012 and 2011 are presented below.

| (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | | |
|----------------------------------|---------------------------------|-----------|----------------------------------|-----------|---|
| | 2012 | 2011 | 2012 | 2011 | |
| Proceeds | \$909,485 | 1,753,686 | 176,780 | 1,738,007 | |
| Gross realized gains | 31,359 | 66,317 | 6,656 | 64,516 | |
| Gross realized losses | (450 |) (1,647 |) — | (1,643 |) |
| Investment securities gains, net | \$30,909 | 64,670 | 6,656 | 62,873 | |

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Note 3 - Restructuring Charges

For the nine and three months ended September 30, 2012 and 2011 total restructuring charges are as follows:

| (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|--------------------------------------|---------------------------------|---------|----------------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| Severance charges | \$2,488 | 17,310 | 1,456 | 1,000 |
| Lease termination charges | (44 |) 3,107 | (69 |) — |
| Asset impairment charges | 1,231 | 6,417 | 3 | 718 |
| Gain on sale of assets held for sale | (452 |) (792 |) (288 |) (530 |
| Professional fees and other charges | 221 | 3,984 | 90 | 1,399 |
| Total restructuring charges | \$3,444 | 30,026 | 1,192 | 2,587 |

In January 2011, Synovus announced efficiency and growth initiatives intended to streamline operations, boost productivity, reduce expenses, and increase revenue. During the nine months ended September 30, 2011, Synovus implemented most of the components of the initiatives, which resulted in restructuring charges of \$30.0 million. During the nine and three months ended September 30, 2012, Synovus recognized restructuring charges of \$3.4 million and \$1.2 million, respectively, associated with these ongoing efficiency initiatives. As part of these efficiency initiatives, during the nine months ended September 30, 2012, Synovus transferred premises and equipment with a carrying value of \$3.8 million, immediately preceding the transfer to other assets held for sale, a component of other assets on the consolidated balance sheet. For the nine months ended September 30, 2012, Synovus recognized impairment charges of \$1.2 million related to these assets and net gains of \$452 thousand on the sale of these assets. For the three months ended September 30, 2012, Synovus recognized net gains of \$288 thousand on the sale of these assets. For the nine and three months ended September 30, 2012, Synovus received proceeds of \$4.1 million and \$2.4 million, respectively, from sales of these assets. The carrying value of the remaining held for sale assets was \$5.8 million at September 30, 2012. The liability for restructuring activities was \$1.0 million at September 30, 2012, and consists primarily of lease termination payments and estimated severance payments.

Note 4 - Other Loans Held for Sale

Loans are transferred to other loans held for sale at fair value when Synovus makes the determination to sell specifically identified loans. The fair value of other loans held for sale is primarily determined by analyzing the net sales proceeds for similar loans sold into the market or in certain cases, based upon the contract price or appraised value. At the time of transfer, if the fair value is less than the carrying amount, the difference is recorded as a charge-off against the allowance for loan losses. Decreases in the fair value subsequent to the transfer, as well as gains/losses realized from sale of these loans, are recognized as (gains) losses on other loans held for sale, net, a component of non-interest expense on the consolidated statements of operations.

During the nine months ended September 30, 2012, Synovus transferred loans with a carrying value immediately preceding the transfer totaling \$353.1 million to other loans held for sale. Synovus recognized charge-offs upon transfer of these loans totaling \$97.0 million which resulted in a new cost basis of \$256.1 million and were based on the estimated fair value, less estimated costs to sell, of the loans at the time it was determined that the respective specific loans would be sold.

During the nine months ended September 30, 2011, Synovus transferred loans with a carrying value immediately preceding the transfer totaling \$567.6 million to other loans held for sale. Synovus recognized charge-offs upon transfer on these loans totaling \$159.9 million for the nine months ended September 30, 2011. These charge-offs which resulted in a new cost basis of \$407.7 million for the loans transferred during the nine months ended September 30, 2011 were based on the estimated fair value, less estimated costs to sell, of the loans at the time it was determined that the respective specific loans would be sold.

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Note 5 – Loans and Allowance for Loan Losses

The following is a summary of current, accruing past due, and non-accrual loans by portfolio class as of September 30, 2012 and December 31, 2011.

Current, Accruing Past Due, and Non-accrual Loans (1)

| September 30, 2012 | | | | | | |
|------------------------------|--------------|------------------------------------|---|-------------------------------|-------------|---------------------------|
| (in thousands) | Current | Accruing 30-89 Days Past Due | Accruing 90 Days or Greater Past Due | Total Accruing Past Due | Non-accrual | Total |
| Investment properties | \$4,257,019 | 16,460 | 3,110 | 19,570 | 114,308 | 4,390,897 |
| 1-4 family properties | 1,282,339 | 10,349 | 563 | 10,912 | 133,999 | 1,427,250 |
| Land acquisition | 724,293 | 1,497 | 505 | 2,002 | 183,125 | 909,420 |
| Total commercial real estate | 6,263,651 | 28,306 | 4,178 | 32,484 | 431,432 | 6,727,567 |
| Commercial and industrial | 8,835,681 | 30,018 | 269 | 30,287 | 186,724 | 9,052,692 |
| Home equity lines | 1,540,456 | 11,112 | 198 | 11,310 | 21,220 | 1,572,986 |
| Consumer mortgages | 1,325,930 | 19,087 | 2,102 | 21,189 | 52,313 | 1,399,432 |
| Credit cards | 253,119 | 2,886 | 1,917 | 4,803 | — | 257,922 |
| Other retail loans | 721,244 | 8,252 | 308 | 8,560 | 8,515 | 738,319 |
| Total retail loans | 3,840,749 | 41,337 | 4,525 | 45,862 | 82,048 | 3,968,659 |
| Total loans | \$18,940,081 | 99,661 | 8,972 | 108,633 | 700,204 | 19,748,918 ⁽²⁾ |
| December 31, 2011 | | | | | | |
| (in thousands) | Current | Accruing 30-89 Days Past Due | Accruing 90 Days or Greater Past Due | Total Accruing Past Due | Non-accrual | Total |
| Investment properties | \$4,450,627 | 10,866 | 54 | 10,920 | 95,766 | 4,557,313 |
| 1-4 family properties | 1,396,778 | 23,480 | 642 | 24,122 | 197,584 | 1,618,484 |
| Land acquisition | 855,021 | 5,299 | 350 | 5,649 | 234,151 | 1,094,821 |
| Total commercial real estate | 6,702,426 | 39,645 | 1,046 | 40,691 | 527,501 | 7,270,618 |
| Commercial and industrial | 8,618,813 | 49,826 | 5,035 | 54,861 | 267,600 | 8,941,274 |
| Home equity lines | 1,581,469 | 12,893 | 664 | 13,557 | 24,559 | 1,619,585 |
| Consumer mortgages | 1,326,411 | 23,213 | 5,130 | 28,343 | 56,995 | 1,411,749 |
| Credit cards | 267,511 | 3,113 | 2,474 | 5,587 | — | 273,098 |
| Other retail loans | 562,706 | 6,232 | 171 | 6,403 | 6,366 | 575,475 |
| Total retail loans | 3,738,097 | 45,451 | 8,439 | 53,890 | 87,920 | 3,879,907 |
| Total loans | \$19,059,336 | 134,922 | 14,520 | 149,442 | 883,021 | 20,091,799 ⁽³⁾ |

(1) Loan balances in each category expressed as a component of total loans, excluding deferred fees and costs.

(2) Total excludes \$17.1 million in net deferred fees and costs

(3) Total excludes \$12.0 million in net deferred fees and costs

The credit quality of the loan portfolio is summarized no less frequently than quarterly using the standard asset classification system utilized by the federal banking agencies. These classifications are divided into three groups – Not Classified (Pass), Special Mention, and Classified or Adverse rating (Substandard, Doubtful, and Loss) and are defined as follows:

Pass - loans which are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.

Special Mention - loans which have potential weaknesses that deserve management's close attention. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.

Substandard - loans which are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Loans with this classification are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful - loans which have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.

Loss - loans which are considered by management to be uncollectible and of such little value that its continuance on the institution's

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books as an asset, without establishment of a specific valuation allowance or charge-off is not warranted.

In the following tables, retail loans are classified as Pass except when they reach 90 days past due, or are downgraded to Substandard. Upon reaching 120 days past due, retail loans are generally downgraded to Loss and charged off, in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy.

Loan Portfolio Credit Exposure by Risk Grade (1)

| | September 30, 2012 | | | | | |
|------------------------------|--------------------|--------------------|----------------------------|-------------------------|---------------------|---------------------------|
| (in thousands) | Pass | Special Mention | Substandard ⁽²⁾ | Doubtful ⁽³⁾ | Loss ⁽³⁾ | Total |
| Investment properties | \$3,516,510 | 524,909 | 344,331 | 5,147 | — | 4,390,897 |
| 1-4 family properties | 930,368 | 216,097 | 274,869 | 5,748 | 168 | ⁽⁴⁾ 1,427,250 |
| Land acquisition | 452,749 | 112,774 | 336,526 | 7,371 | — | 909,420 |
| Total commercial real estate | 4,899,627 | 853,780 | 955,726 | 18,266 | 168 | ⁽⁴⁾ 6,727,567 |
| Commercial and industrial | 7,827,462 | 639,964 | 571,960 | 13,306 | — | 9,052,692 |
| Home equity lines | 1,539,858 | — | 31,948 | — | 1,180 | ⁽⁴⁾ 1,572,986 |
| Consumer mortgages | 1,345,706 | — | 53,001 | — | 725 | ⁽⁴⁾ 1,399,432 |
| Credit cards | 256,005 | — | 605 | — | 1,312 | 257,922 |
| Other retail loans | 721,488 | — | 15,605 | — | 1,226 | ⁽⁴⁾ 738,319 |
| Total retail loans | 3,863,057 | — | 101,159 | — | 4,443 | 3,968,659 |
| Total loans | \$16,590,146 | 1,493,744 | 1,628,845 | 31,572 | 4,611 | 19,748,918 ⁽⁵⁾ |
| | December 31, 2011 | | | | | |
| (in thousands) | Pass | Special Mention | Substandard ⁽²⁾ | Doubtful ⁽³⁾ | Loss ⁽³⁾ | Total |
| Investment properties | \$3,443,363 | 778,009 | 328,402 | 7,539 | — | 4,557,313 |
| 1-4 family properties | 977,083 | 269,152 | 361,210 | 11,039 | — | 1,618,484 |
| Land acquisition | 500,359 | 132,799 | 456,010 | 5,653 | — | 1,094,821 |
| Total commercial real estate | 4,920,805 | 1,179,960 | 1,145,622 | 24,231 | — | 7,270,618 |
| Commercial and industrial | 7,265,761 | 909,255 | 754,934 | 11,324 | — | 8,941,274 |
| Home equity lines | 1,578,938 | — | 39,811 | — | 836 | ⁽⁴⁾ 1,619,585 |
| Consumer mortgages | 1,344,648 | — | 66,478 | — | 623 | ⁽⁴⁾ 1,411,749 |
| Credit cards | 270,624 | — | 948 | — | 1,526 | 273,098 |
| Other retail loans | 562,623 | — | 12,349 | — | 503 | ⁽⁴⁾ 575,475 |
| Total retail loans | 3,756,833 | — | 119,586 | — | 3,488 | 3,879,907 |
| Total loans | \$15,943,399 | 2,089,215 | 2,020,142 | 35,555 | 3,488 | 20,091,799 ⁽⁶⁾ |

(1) Loan balances in each category expressed as a component of total loans, excluding deferred fees and costs.

(2) Includes \$664.0 million and \$844.0 million of non-accrual substandard loans at September 30, 2012 and December 31, 2011, respectively.

(3) The loans within these risk grades are on non-accrual status.

(4) Represent amounts that were 120 days past due. These credits are downgraded to the loss category with an allowance for loan losses equal to the full loan amount and are charged off in the subsequent quarter.

(5) Total excludes \$17.1 million in net deferred fees and costs.

(6) Total excludes \$12.0 million in net deferred fees and costs.

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The following table details the changes in the allowance for loan losses by loan segment for the three months ended September 30, 2012 and 2011.

Allowance for Loan Losses and Recorded Investment in Loans

| (in thousands) | As Of and For The Three Months Ended September 30, 2012 | | | | |
|----------------------------|---|-------------------------|-----------|-------------|------------|
| | Commercial Real Estate | Commercial & Industrial | Retail | Unallocated | Total |
| Allowance for loan losses: | | | | | |
| Beginning balance | \$210,208 | 153,225 | 51,892 | 38,000 | 453,325 |
| Charge-offs | (56,638) | (41,121) | (13,271) | — | (111,030) |
| Recoveries | 5,902 | 6,431 | 2,204 | — | 14,537 |
| Provision for loan losses | 41,041 | 21,349 | 11,182 | (10,000) | 63,572 |
| Ending balance | \$200,513 | 139,884 | 52,007 | 28,000 | 420,404 |
| | | | | | |
| (in thousands) | As Of and For The Three Months Ended September 30, 2011 | | | | |
| | Commercial Real Estate | Commercial & Industrial | Retail | Unallocated | Total |
| Allowance for loan losses: | | | | | |
| Beginning balance | \$357,579 | 185,070 | 40,789 | 47,963 | 631,401 |
| Charge-offs | (112,530) | (23,764) | (17,966) | — | (154,260) |
| Recoveries | 4,951 | 8,966 | 2,000 | — | 15,917 |
| Provision for loan losses | 67,074 | 16,270 | 19,100 | (119) | 102,325 |
| Ending balance | \$317,074 | 186,542 | 43,923 | 47,844 | 595,383 |

(1)Total excludes \$17.1 million in net deferred fees and costs

(2)Total excludes \$10.0 million in net deferred fees and costs

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The tables below summarize impaired loans (including accruing TDRs) as of September 30, 2012 and December 31, 2011.

Impaired Loans (including accruing TDRs)

| (in thousands) | September 30, 2012 | | | Nine Months Ended September 30, 2012 | | Three Months Ended September 30, 2012 | |
|------------------------------------|------------------------|--------------------------------|----------------------|---|----------------------------------|--|----------------------------------|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| With no related allowance recorded | | | | | | | |
| Investment properties | \$58,079 | 90,210 | — | 48,172 | — | 44,944 | — |
| 1-4 family properties | 88,885 | 203,765 | — | 110,658 | — | 95,954 | — |
| Land acquisition | 152,010 | 255,512 | — | 181,124 | — | 157,626 | — |
| Total commercial real estate | 298,974 | 549,487 | — | 339,954 | — | 298,524 | — |
| Commercial and industrial | 75,004 | 121,128 | — | 74,950 | — | 81,568 | — |
| Home equity lines | 2,346 | 3,186 | — | 3,469 | — | 2,966 | — |
| Consumer mortgages | 4,315 | 6,617 | — | 4,259 | — | 3,936 | — |
| Other retail loans | 8 | 15 | — | 166 | — | 4 | — |
| Total retail | 6,669 | 9,818 | — | 7,894 | — | 6,906 | — |
| Total | \$380,647 | 680,433 | — | 422,798 | — | 386,998 | — |
| With allowance recorded | | | | | | | |
| Investment properties | \$220,362 | 220,945 | 27,361 | 235,312 | 4,758 | 258,848 | 1,466 |
| 1-4 family properties | 151,179 | 151,820 | 18,278 | 148,498 | 3,388 | 141,349 | 895 |
| Land acquisition | 74,995 | 91,057 | 9,761 | 89,696 | 1,455 | 79,662 | 429 |
| Total commercial real estate | 446,536 | 463,822 | 55,400 | 473,506 | 9,601 | 479,859 | 2,790 |
| Commercial and industrial | 315,591 | 317,556 | 31,988 | 305,758 | 6,260 | 290,864 | 2,102 |
| Home equity lines | 6,799 | 6,799 | 82 | 6,960 | 178 | 6,772 | 60 |
| Consumer mortgages | 42,718 | 42,718 | 581 | 35,068 | 858 | 41,382 | 394 |
| Other retail loans | 7,196 | 7,196 | 142 | 4,499 | 155 | 7,298 | 80 |
| Total retail | 56,713 | 56,713 | 805 | 46,527 | 1,191 | 55,452 | 534 |
| Total | \$818,840 | 838,091 | 88,193 | 825,791 | 17,052 | 826,175 | 5,426 |
| Total | | | | | | | |
| Investment properties | \$278,441 | 311,155 | 27,361 | 283,484 | 4,758 | 303,792 | 1,466 |
| 1-4 family properties | 240,064 | 355,585 | 18,278 | 259,156 | 3,388 | 237,303 | 895 |
| Land acquisition | 227,005 | 346,569 | 9,761 | 270,820 | 1,455 | 237,288 | 429 |
| Total commercial real estate | 745,510 | 1,013,309 | 55,400 | 813,460 | 9,601 | 778,383 | 2,790 |
| Commercial and industrial | 390,595 | 438,684 | 31,988 | 380,708 | 6,260 | 372,432 | 2,102 |
| Home equity lines | 9,145 | 9,985 | 82 | 10,429 | 178 | 9,738 | 60 |
| Consumer mortgages | 47,033 | 49,335 | 581 | 39,327 | 858 | 45,318 | 394 |

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| | | | | | | | |
|----------------------|-------------|-----------|--------|-----------|--------|-----------|-------|
| Other retail loans | 7,204 | 7,211 | 142 | 4,665 | 155 | 7,302 | 80 |
| Total retail | 63,382 | 66,531 | 805 | 54,421 | 1,191 | 62,358 | 534 |
| Total impaired loans | \$1,199,487 | 1,518,524 | 88,193 | 1,248,589 | 17,052 | 1,213,173 | 5,426 |

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| Impaired Loans (including accruing TDRs) (in thousands) | December 31, 2011 | | | Year Ended December 31, 2011 | |
|--|---------------------|--------------------------|-------------------|------------------------------|----------------------------|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized |
| With no related allowance recorded | | | | | |
| Investment properties | \$59,930 | 96,238 | — | 67,324 | — |
| 1-4 family properties | 118,756 | 274,959 | — | 158,763 | — |
| Land acquisition | 196,823 | 295,562 | — | 174,590 | — |
| Total commercial real estate | 375,509 | 666,759 | — | 400,677 | — |
| Commercial and industrial | 65,357 | 117,468 | — | 74,995 | — |
| Home equity lines | 3,948 | 5,394 | — | 4,450 | — |
| Consumer mortgages | 4,970 | 6,293 | — | 3,907 | — |
| Other retail loans | 736 | 738 | — | 68 | — |
| Total retail | 9,654 | 12,425 | — | 8,425 | — |
| Total | \$450,520 | 796,652 | — | 484,097 | — |
| With allowance recorded | | | | | |
| Investment properties | \$227,045 | 227,510 | 23,384 | 232,717 | 6,773 |
| 1-4 family properties | 164,756 | 168,315 | 23,499 | 121,107 | 2,859 |
| Land acquisition | 102,847 | 118,868 | 17,564 | 97,054 | 2,136 |
| Total commercial real estate | 494,648 | 514,693 | 64,447 | 450,878 | 11,768 |
| Commercial and industrial | 318,942 | 324,623 | 42,596 | 244,801 | 5,888 |
| Home equity lines | 6,995 | 6,995 | 93 | 2,112 | 17 |
| Consumer mortgages | 34,766 | 34,804 | 2,306 | 20,331 | 660 |
| Other retail loans | 1,701 | 1,701 | 42 | 6,399 | 31 |
| Total retail | 43,462 | 43,500 | 2,441 | 28,842 | 708 |
| Total | \$857,052 | 882,816 | 109,484 | 724,521 | 18,364 |
| Total | | | | | |
| Investment properties | \$286,975 | 323,748 | 23,384 | 300,041 | 6,773 |
| 1-4 family properties | 283,512 | 443,274 | 23,499 | 279,870 | 2,859 |
| Land acquisition | 299,670 | 414,430 | 17,564 | 271,644 | 2,136 |
| Total commercial real estate | 870,157 | 1,181,452 | 64,447 | 851,555 | 11,768 |
| Commercial and industrial | 384,299 | 442,091 | 42,596 | 319,796 | 5,888 |
| Home equity lines | 10,943 | 12,389 | 93 | 6,562 | 17 |
| Consumer mortgages | 39,736 | 41,097 | 2,306 | 24,238 | 660 |
| Other retail loans | 2,437 | 2,439 | 42 | 6,467 | 31 |
| Total retail | 53,116 | 55,925 | 2,441 | 37,267 | 708 |
| Total impaired loans | \$1,307,572 | 1,679,468 | 109,484 | 1,208,618 | 18,364 |

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

The following tables represent loans modified or renewed during the nine and three months ended September 30, 2012 and 2011 that were reported as accruing or non-accruing TDRs.

| (in thousands, except contract data) | Accruing TDRs With Modifications or Renewals Completed During the | | | | | |
|--------------------------------------|---|-----------------------------------|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------|
| | Nine Months Ended September 30, 2012 | | | Three Months Ended September 30, 2012 | | |
| | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance |
| Investment properties | 55 | \$ 94,457 | 94,457 | 18 | \$ 16,109 | 16,109 |
| 1-4 family properties | 90 | 58,224 | 55,310 | 34 | 24,083 | 21,588 |
| Land acquisition | 48 | 33,972 | 33,972 | 22 | 13,360 | 13,360 |
| Total commercial real estate | 193 | 186,653 | 183,739 | 74 | 53,552 | 51,057 |
| Commercial and industrial | 126 | 129,104 | 119,106 | 35 | 68,669 | 58,671 |
| Home equity lines | 3 | 364 | 364 | — | — | — |
| Consumer mortgages | 250 | 24,588 | 24,588 | 62 | 6,409 | 6,409 |
| Credit cards | — | — | — | — | — | — |
| Other retail loans | 78 | 6,284 | 6,284 | 28 | 1,980 | 1,980 |
| Total retail | 331 | 31,236 | 31,236 | 90 | 8,389 | 8,389 |
| Total TDRs | 650 | \$ 346,993 | 334,081 | 199 | \$ 130,610 | 118,117 |

| (in thousands, except contract data) | Accruing TDRs With Modifications or Renewals Completed During the | | | | | |
|--------------------------------------|---|-----------------------------------|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------|
| | Nine Months Ended September 30, 2011 | | | Three Months Ended September 30, 2011 | | |
| | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance |
| Investment properties | 52 | \$ 125,420 | 125,420 | 23 | \$ 38,156 | 38,156 |
| 1-4 family properties | 55 | 105,494 | 104,839 | 22 | 54,614 | 54,614 |
| Land acquisition | 24 | 41,394 | 41,394 | 13 | 20,464 | 20,464 |
| Total commercial real estate | 131 | 272,308 | 271,653 | 58 | 113,234 | 113,234 |
| Commercial and industrial | 76 | 134,370 | 133,161 | 40 | 76,876 | 75,667 |
| Home equity lines | 7 | 282 | 282 | — | — | — |
| Consumer mortgages | 185 | 24,812 | 24,812 | 6 | 3,621 | 3,621 |
| Credit cards | — | — | — | — | — | — |
| Other retail loans | 18 | 1,072 | 1,072 | 2 | 285 | 285 |
| Total retail | 210 | 26,166 | 26,166 | 8 | 3,906 | 3,906 |
| Total TDRs | 417 | \$ 432,844 | 430,980 | 106 | \$ 194,016 | 192,807 |

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| (in thousands, except contract data) | Non-accruing TDRs With Modifications or Renewals Completed During the | | | | | |
|--------------------------------------|---|-----------------------------------|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------|
| | Nine Months Ended September 30, 2012 | | | Three Months Ended September 30, 2012 | | |
| | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance |
| Investment properties | 5 | \$ 15,402 | 15,402 | 2 | \$ 8,647 | 8,647 |
| 1-4 family properties | 23 | 12,944 | 12,914 | 19 | 6,685 | 6,685 |
| Land acquisition | 19 | 23,659 | 21,866 | 7 | 6,640 | 4,945 |
| Total commercial real estate | 47 | 52,005 | 50,182 | 28 | 21,972 | 20,277 |
| Commercial and industrial | 26 | 18,723 | 17,973 | 11 | 5,770 | 5,770 |
| Home equity lines | — | — | — | — | — | — |
| Consumer mortgages | 6 | 1,348 | 1,304 | — | — | — |
| Credit cards | — | — | — | — | — | — |
| Other retail loans | 6 | 703 | 703 | 2 | 355 | 355 |
| Total retail | 12 | 2,051 | 2,007 | 2 | 355 | 355 |
| Total TDRs | 85 | \$ 72,779 | 70,162 | 41 | \$ 28,097 | 26,402 |

| (in thousands, except contract data) | Non-accruing TDRs With Modifications or Renewals Completed During the | | | | | |
|--------------------------------------|---|-----------------------------------|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------|
| | Nine Months Ended September 30, 2011 | | | Three Months Ended September 30, 2011 | | |
| | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance | Number of Contracts | Pre-modification Recorded Balance | Post-modification Recorded Balance |
| Investment properties | 10 | \$ 28,572 | 28,174 | 7 | \$ 13,788 | 13,390 |
| 1-4 family properties | 17 | 26,503 | 20,505 | 8 | 16,180 | 16,180 |
| Land acquisition | 10 | 6,703 | 5,767 | 2 | 2,358 | 2,358 |
| Total commercial real estate | 37 | 61,778 | 54,446 | 17 | 32,326 | 31,928 |
| Commercial and industrial | 32 | 20,392 | 17,737 | 16 | 13,860 | 12,383 |
| Home equity lines | 1 | 39 | 39 | — | — | — |
| Consumer mortgages | 12 | 3,595 | 3,345 | 2 | 2,189 | 1,938 |
| Credit cards | — | — | — | — | — | — |
| Other retail loans | — | — | — | — | — | — |
| Total retail | 13 | 3,634 | 3,384 | 2 | 2,189 | 1,938 |
| Total TDRs | 82 | \$ 85,804 | 75,567 | 35 | \$ 48,375 | 46,249 |

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The following tables present TDRs entered into within the previous twelve months that subsequently defaulted during the periods indicated.

| (in thousands, except contract data) | Troubled Debt Restructurings Entered Within the Previous Twelve Months that have Subsequently Defaulted ⁽¹⁾ During | | | |
|--------------------------------------|---|---------------------|--|---------------------|
| | Nine Months Ended September 30, 2012 ⁽²⁾ | | Three Months Ended September 30, 2012 ⁽³⁾ | |
| | Number of Contracts | Recorded Investment | Number of Contracts | Recorded Investment |
| Investment properties | 4 | \$4,166 | — | \$— |
| 1-4 family properties | 15 | 10,128 | 8 | 4,822 |
| Land acquisition | 13 | 29,934 | 3 | 3,873 |
| Total commercial real estate | 32 | 44,228 | 11 | 8,695 |
| Commercial and industrial | 18 | 13,724 | 4 | 1,971 |
| Home equity lines | — | — | — | — |
| Consumer mortgages | 6 | 2,017 | 2 | 444 |
| Credit cards | — | — | — | — |
| Other retail loans | 1 | 124 | 1 | 124 |
| Total retail | 7 | 2,141 | 3 | 568 |
| Total loans | 57 | \$60,093 | 18 | \$11,234 |

⁽¹⁾ Subsequently defaulted is defined as the earlier of the troubled debt restructuring being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments.

⁽²⁾ For the nine months ended September 30, 2012, this represents defaults on loans that were modified between the periods April 1, 2011 and September 30, 2012.

⁽³⁾ For the three months ended September 30, 2012, this represents defaults on loans that were modified between the periods October 1, 2011 and September 30, 2012.

| (in thousands, except contract data) | Troubled Debt Restructurings Entered Within the Previous Twelve Months that have Subsequently Defaulted ⁽¹⁾ During | | | |
|--------------------------------------|---|---------------------|--|---------------------|
| | Nine Months Ended September 30, 2011 ⁽²⁾ | | Three Months Ended September 30, 2011 ⁽³⁾ | |
| | Number of Contracts | Recorded Investment | Number of Contracts | Recorded Investment |
| Investment properties | 9 | \$15,768 | 1 | \$50 |
| 1-4 family properties | 15 | 18,113 | 2 | 679 |
| Land acquisition | 28 | 20,954 | 1 | 282 |
| Total commercial real estate | 52 | 54,835 | 4 | 1,011 |
| Commercial and industrial | 17 | 18,971 | 2 | 678 |
| Home equity lines | 3 | 1,742 | — | — |
| Consumer mortgages | 5 | 833 | 3 | 541 |
| Credit cards | — | — | — | — |
| Other retail loans | 4 | 233 | 1 | 25 |
| Total retail | 12 | 2,808 | 4 | 566 |
| Total loans | 81 | \$76,614 | 10 | \$2,255 |

⁽¹⁾ Subsequently defaulted is defined as the earlier of the troubled debt restructuring being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments.

⁽²⁾ For the nine months ended September 30, 2011, this represents defaults on loans that were modified between the periods April 1, 2010 and September 30, 2011.

⁽³⁾ For the three months ended September 30, 2011, this represents defaults on loans that were modified between the periods October 1, 2010 and September 30, 2011.

If at the time that a loan was designated as a TDR the loan was not already impaired, the measurement of impairment resulting from the TDR designation changes from a general pool-level reserve to a specific loan measurement of impairment in accordance with ASC 310-10-35. Generally, the change in the allowance for loan losses resulting from such TDR designation is not significant. At September 30, 2012, the allowance for loan losses allocated to accruing TDRs totaling \$698.8 million was \$52.1 million compared to accruing TDRs of \$668.5 million with an allocated allowance for loan losses of \$60.7 million at December 31, 2011. Nonaccrual non-homogeneous loans (commercial-type impaired loans greater than \$1 million) that are designated as TDRs are individually measured for the amount of impairment, if any, both before and after the TDR designation.

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Note 6 - Other Real Estate

ORE consists of properties obtained through a foreclosure proceeding or through an in-substance foreclosure in satisfaction of loans. In accordance with provisions of ASC 310-10-35 regarding subsequent measurement of loans for impairment and ASC 310-40-15 regarding accounting for troubled debt restructurings by a creditor, a loan is classified as an in-substance foreclosure when Synovus has taken possession of the collateral regardless of whether formal foreclosure proceedings have taken place.

ORE is reported at the lower of cost or fair value determined on the basis of current appraisals, comparable sales, and other estimates of fair value obtained principally from independent sources, adjusted for estimated selling costs. Management also considers other factors or recent developments such as changes in absorption rates or market conditions from the time of valuation and anticipated sales values considering management's plans for disposition, which could result in adjustment to lower the collateral value estimates indicated in the appraisals. At the time of foreclosure or initial possession of collateral, any excess of the loan balance over the fair value of the real estate held as collateral, less costs to sell, is recorded as a charge against the allowance for loan losses. Revenue and expenses from ORE operations as well as gains or losses on sales and any subsequent declines in fair value are recorded as foreclosed real estate expense, net, a component of non-interest expense on the consolidated statements of operations. The carrying value of ORE was \$189.2 million and \$204.2 million at September 30, 2012 and December 31, 2011, respectively. During the nine months ended September 30, 2012 and 2011, \$122.1 million and \$190.4 million respectively, of loans and other loans held for sale were foreclosed and transferred to other real estate at fair value. During the nine months ended September 30, 2012 and 2011, Synovus recognized foreclosed real estate expense, net, of \$55.7 million and \$101.7 million, respectively. Synovus recognized foreclosed real estate expenses of \$12.0 million and \$37.1 million during the three months ended September 30, 2012 and 2011, respectively. These expenses included write-downs for declines in fair value of ORE subsequent to the date of foreclosure or transfer to ORE and net realized gains or losses resulting from sales transactions totaling \$42.7 million and \$87.8 million, for the nine months ended September 30, 2012 and 2011, respectively, and \$8.8 million and \$33.3 million for the three months ended September 30, 2012 and 2011, respectively.

Note 7 - Fair Value Accounting

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

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

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

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

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stress scenarios to determine the sensitivity associated with the valuation. As a final step, management considers the need for further adjustments to the modeled price to reflect how market participants would price the financial instrument.

Fair Value Hierarchy

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

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

Fair Value Option

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

Valuation Methodology by Product

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

Trading Securities and Investment Securities Available for Sale

The fair values of trading securities and investment securities available for sale are primarily based on actively traded markets where prices are based on either quoted market prices or observed transactions. Management employs independent third-party pricing services to provide fair value estimates for Synovus' investment securities available for sale and trading securities. Fair values for fixed income investment securities are typically determined based upon quoted market prices, broker/dealer quotations for identical or similar securities, and/or inputs that are observable in the market, either directly or indirectly, for substantially similar securities. Level 1 securities are typically exchange quoted prices and include financial instruments such as U.S. Treasury securities and equity securities. Level 2 securities are typically matrix priced by the third-party pricing service to calculate the fair value. Such fair value measurements consider observable data such as relevant broker/dealer quotes, market spreads, cash flows, yield

curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and the respective terms and conditions for debt instruments. The types of securities classified as Level 2 within the valuation hierarchy primarily consist of collateralized mortgage obligations, mortgage-backed securities, debt securities of U.S. Government-sponsored enterprises and agencies, corporate debt, and state and municipal securities.

When there is limited activity or less transparency around inputs to valuation, Synovus develops valuations based on assumptions that are not readily observable in the marketplace; these securities are classified as Level 3 within the valuation hierarchy. The majority of the balance of Level 3 investment securities available for sale consists of trust preferred securities issued by financial institutions. Synovus also carries non-marketable common equity securities and corporate bonds of small financial institutions within this category. Synovus accounts for the non-marketable common equity securities in accordance with ASC 325-20, which requires these investments to be carried at cost. To determine the fair value of the corporate bonds and trust preferred securities, management uses a measurement technique to reflect one that utilizes credit spreads and/or credit indices available

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from a third-party pricing service. In addition, for each corporate bond and trust preferred security, management projects non-credit adjusted cash flows, and discounts those cash flows to net present value incorporating a relevant credit spread in the discount rate. Other inputs to calculating fair value include potential discounts for lack of marketability.

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

Mortgage Loans Held for Sale

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

Private Equity Investments

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

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

Investments Held in Rabbi Trusts

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

Salary Stock Units

Salary stock units represent the distribution of fully vested stock awards as a part of base salary to certain key employees of Synovus. Each salary stock unit represents a right to one share of Synovus' common stock. The salary stock units are classified as liabilities and are settled in cash, as determined by the closing common stock price on the

date of settlement and the number of salary stock units being settled. Accordingly, salary stock units are classified as Level 1 within the fair value hierarchy.

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Derivative Assets and Liabilities

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

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

hierarchy.

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

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents all financial instruments measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011, according to the valuation hierarchy included in ASC 820-10. For equity and debt securities, class was determined based on the nature and risks of the investments. Transfers between levels for the nine months ended September 30, 2012 and the year ended December 31, 2011 were inconsequential.

| (in thousands) | September 30, 2012 | | | Total Assets and Liabilities at Fair Value |
|---|--------------------|-----------|---------|--|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Trading securities: | | | | |
| Mortgage-backed securities issued by U.S. Government agencies | \$— | 10 | — | 10 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | 2,575 | — | 2,575 |
| State and municipal securities | — | — | — | — |
| All other residential mortgage-backed securities | — | 3,048 | — | 3,048 |
| Other investments | 19 | 301 | — | 320 |
| Total trading securities | 19 | 5,934 | — | 5,953 |
| Mortgage loans held for sale | — | 246,224 | — | 246,224 |
| Investment securities available for sale: | | | | |
| U.S. Treasury securities | 356 | — | — | 356 |
| U.S. Government agency securities | — | 38,247 | — | 38,247 |
| Securities issued by U.S. Government sponsored enterprises | — | 370,099 | — | 370,099 |
| Mortgage-backed securities issued by U.S. Government agencies | — | 278,606 | — | 278,606 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | — | 1,929,018 | — | 1,929,018 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | 586,457 | — | 586,457 |
| State and municipal securities | — | 19,546 | — | 19,546 |
| Equity securities | 2,930 | — | 891 | 3,821 |
| Other investments ⁽¹⁾ | — | — | 3,290 | 3,290 |
| Total investment securities available for sale | 3,286 | 3,221,973 | 4,181 | 3,229,440 |
| Private equity investments | — | 987 | 28,903 | 29,890 |
| Mutual funds held in Rabbi Trusts | 9,851 | — | — | 9,851 |
| Derivative assets: | | | | |
| Interest rate contracts | — | 71,110 | — | 71,110 |
| Mortgage derivatives | — | 4,691 | — | 4,691 |
| Total derivative assets | — | 75,801 | — | 75,801 |
| Liabilities | | | | |
| Salary stock units | 1,281 | — | — | 1,281 |
| Derivative liabilities: | | | | |
| Interest rate contracts | — | 72,349 | — | 72,349 |
| Mortgage derivatives | — | 3,967 | — | 3,967 |
| Visa derivative | — | — | 2,595 | 2,595 |
| Total derivative liabilities | \$— | 76,316 | 2,595 | 78,911 |

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| (in thousands) | December 31, 2011 | | | Total Assets and Liabilities at Fair Value |
|--|-------------------|-----------|---------|--|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Trading securities: | | | | |
| Mortgage-backed securities issued by U.S. Government agencies | \$— | 33 | — | 33 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | 4,040 | — | 4,040 |
| State and municipal securities | — | 10 | — | 10 |
| All other residential mortgage-backed securities | — | 11,748 | — | 11,748 |
| Other investments | — | 1,035 | — | 1,035 |
| Total trading securities | — | 16,866 | — | 16,866 |
| Mortgage loans held for sale | — | 161,509 | — | 161,509 |
| Investment securities available for sale: | | | | |
| U.S. Treasury securities | 426 | — | — | 426 |
| U.S. Government agency securities | — | 40,493 | — | 40,493 |
| Securities issued by U.S. Government sponsored enterprises | — | 675,421 | — | 675,421 |
| Mortgage-backed securities issued by U.S. Government agencies | — | 285,753 | — | 285,753 |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises | — | 2,002,006 | — | 2,002,006 |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | — | 651,500 | — | 651,500 |
| State and municipal securities | — | 25,318 | — | 25,318 |
| Equity securities | 2,366 | — | 1,393 | 3,759 |
| Other investments ⁽¹⁾ | — | — | 5,449 | 5,449 |
| Total investment securities available for sale | 2,792 | 3,680,491 | 6,842 | 3,690,125 |
| Private equity investments | — | 597 | 21,418 | 22,015 |
| Mutual funds held in Rabbi Trusts | 10,353 | — | — | 10,353 |
| Derivative assets: | | | | |
| Interest rate contracts | — | 83,072 | — | 83,072 |
| Mortgage derivatives | — | — | 1,851 | 1,851 |
| Total derivative assets | — | 83,072 | 1,851 | 84,923 |
| Liabilities | | | | |
| Derivative liabilities: | | | | |
| Interest rate contracts | — | 85,534 | — | 85,534 |
| Mortgage derivatives | — | 1,947 | — | 1,947 |
| Visa derivative | — | — | 9,093 | 9,093 |
| Total derivative liabilities | \$— | 87,481 | 9,093 | 96,574 |

⁽¹⁾ Based on an analysis of the nature and risks of these investments, Synovus has determined that presenting these investments as a single asset class is appropriate.

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Fair Value Option

The following table summarizes the difference between the fair value and the unpaid principal balance for mortgage loans held for sale measured at fair value and the changes in fair value of these loans. The table does not reflect the change in fair value attributable to the related economic hedge Synovus uses to mitigate interest rate risk associated with the financial instruments. Changes in fair value were recorded as a component of mortgage banking income and other non-interest income in the consolidated statements of operations, as appropriate. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

Net gains from fair value changes

| (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|------------------------------|---------------------------------|-------|----------------------------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| Mortgage loans held for sale | \$4,079 | 4,989 | 4,271 | 2,107 |

Mortgage Loans Held for Sale

| (in thousands) | September 30, 2012 | December 31, 2011 |
|--|--------------------|-------------------|
| Aggregate fair value | \$246,224 | 161,509 |
| Unpaid principal balance | 237,952 | 157,316 |
| Aggregate fair value less aggregate unpaid principal balance | \$8,272 | 4,193 |

Changes in Level 3 Fair Value Measurements

As noted above, Synovus uses significant unobservable inputs (Level 3) in determining the fair value of assets and liabilities classified as Level 3 in the fair value hierarchy. The table below includes a roll-forward of the amounts on the consolidated balance sheet for the nine months ended September 30, 2012 and 2011 (including the change in fair value), for financial instruments of a material nature that are classified by Synovus within Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis. Transfers between fair value levels are recognized at the end of the reporting period in which the associated change in inputs occur. During the first quarter of 2012, Synovus transferred the mortgage derivative asset, which consists of interest rate lock commitments totaling \$1.9 million, from Level 3 to Level 2 within the fair value hierarchy, reflecting increased transparency of the inputs used to value these financial instruments, which are based on the mortgage banking subsidiary's historical experience, conversion ratios for similar loan commitments, and market conditions, instead of previously used external industry data. Additionally, during the first quarter of 2012, Synovus transferred assets totaling \$501 thousand that were classified as a Level 3 equity security to other assets to more accurately reflect the financial characteristics of the financial instruments.

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| (in thousands) | Nine Months Ended September 30, 2012 | | | 2011 | | |
|---|---|----------------------------------|---|---|----------------------------------|---|
| | Investment Securities Available for Sale | Private Equity Investments | Other Derivative Contracts, Net ⁽³⁾ | Investment Securities Available for Sale | Private Equity Investments | Other Derivative Contracts, Net ⁽³⁾ |
| Beginning balance, January 1, | \$6,842 | 21,418 | (7,242) | 10,622 | 47,357 | (4,180) |
| Total gains (losses) realized/unrealized: | | | | | | |
| Included in earnings ⁽¹⁾ | (450) | 6,428 | (5,546) | 1,000 | (941) | 4,798 |
| Unrealized gains (losses) included in other comprehensive income | (710) | — | — | (228) | — | — |
| Changes from consolidated to equity method investment | — | — | — | — | (27,291) | — |
| Purchases | — | 1,057 | — | — | 1,705 | (2) — |
| Sales | — | — | — | 4,552 | — | — |
| Settlements | (1,000) | — | 12,044 | — | — | — |
| Transfers out of Level 3 | (501) | — | (1,851) | — | — | — |
| Ending balance, September 30, | \$4,181 | 28,903 | (2,595) | 6,842 | 20,830 | 618 |
| The amount of total net gains (losses) for the nine months included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities remaining at September 30, | \$(450) | 6,428 | (5,546) | 1,000 | (941) | 4,798 |

| (in thousands) | Three Months Ended September 30, 2012 | | | 2011 | | |
|---|---|----------------------------------|--------------------|---|----------------------------------|---|
| | Investment Securities Available for Sale | Private Equity Investments | Visa Derivative | Investment Securities Available for Sale | Private Equity Investments | Other Derivative Contracts, Net ⁽³⁾ |
| Beginning balance, July 1, | \$5,103 | 29,847 | (3,050) | 13,398 | 20,273 | (1,922) |
| Total gains (losses) realized/unrealized: | | | | | | |
| Included in earnings ⁽¹⁾ | — | (944) | (833) | — | (771) | 2,540 |
| Unrealized gains (losses) included in other comprehensive income | 78 | — | — | (2,004) | — | — |
| Purchases | — | — | — | — | 1,328 | (2) — |
| Sales | — | — | — | 4,552 | — | — |
| Settlements | (1,000) | — | 1,288 | — | — | — |
| Ending balance, September 30, | \$4,181 | 28,903 | (2,595) | 6,842 | 20,830 | 618 |
| The amount of total net gains (losses) for the three months included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at September 30, | \$— | (944) | (833) | — | (771) | 2,540 |

(1) Included in earnings as a component of other non-interest income.

(2) Represents additional capital contributed to a private equity investment fund for capital calls. Note that there are no such calls outstanding as of September 30, 2012.

(3) Other derivative contracts include the Visa Derivative and the mortgage derivatives.

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Assets Measured at Fair Value on a Non-recurring Basis

From time to time, certain assets may be recorded at fair value on a non-recurring basis. These non-recurring fair value adjustments typically are a result of the application of lower of cost or fair value accounting or a write-down occurring during the period. For example, if the fair value of an asset in these categories falls below its cost basis, it is considered to be at fair value at the end of the period of the adjustment. The following table presents assets measured at fair value on a non-recurring basis as of the dates indicated for which there was a fair value adjustment during the period, according to the valuation hierarchy included in ASC 820-10.

| (in thousands) | September 30, 2012 | | | | December 31, 2011 | | | |
|-------------------------------------|--------------------|---------|---------|---------|-------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Collateral dependent impaired loans | \$— | — | 102,571 | 102,571 | — | — | 48,620 | 48,620 |
| Other loans held for sale | — | — | 479 | 479 | — | — | 2,841 | 2,841 |
| Other real estate | — | — | 151,098 | 151,098 | — | — | 112,164 | 112,164 |
| Other assets held for sale | — | — | 540 | 540 | — | — | 16,254 | 16,254 |

The following table presents fair value adjustments recognized for the nine and three months ended September 30, 2012 and 2011 for the following assets measured at fair value on a non-recurring basis.

| (in thousands) | Fair Value Adjustments for the Nine Months Ended September 30, | | Fair Value Adjustments for the Three Months Ended September 30, | |
|-------------------------------------|--|--------|---|--------|
| | 2012 | 2011 | 2012 | 2011 |
| Collateral dependent impaired loans | \$89,522 | 98,883 | 38,273 | 18,565 |
| Other loans held for sale | 1,660 | 8,167 | 372 | 3,923 |
| Other real estate | 25,560 | 51,813 | 5,635 | 17,525 |
| Other assets held for sale | \$1,405 | 4,507 | 60 | 428 |

Collateral dependent impaired loans are evaluated for impairment in accordance with the provisions of ASC 310-10-35 using the fair value of the collateral less costs to sell. For loans measured using the estimated fair value of collateral securing these loans less costs to sell, fair value is generally determined based upon appraisals performed by a certified or licensed appraiser using inputs such as absorption rates, capitalization rates, and market comparables, adjusted for estimated selling costs. Management also considers other factors or recent developments, such as changes in absorption rates or market conditions from the time of valuation, and anticipated sales values considering management plans for disposition, which could result in adjustments to the collateral value estimates indicated in the appraisals. Estimated costs to sell are based on actual amounts for similar assets. These measurements are classified as Level 3 within the valuation hierarchy. Collateral dependent impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly based on the same factors identified above. Loans are transferred to other loans held for sale at fair value when Synovus makes the determination to sell specifically identified loans. The fair value of the loans is primarily determined by analyzing the underlying collateral of the loan and the anticipated market prices of similar assets less estimated costs to sell. At the time of transfer, if the fair value is less than the carrying amount, the difference is recorded as a charge-off against the allowance for loan losses. Decreases in the fair value subsequent to the transfer, as well as gains/losses realized from sale of these loans, are recognized as gains/losses on other loans held for sale, net, as a component of non-interest expense on the consolidated statements of operations.

ORE consists of properties obtained through a foreclosure proceeding or through an in-substance foreclosure in satisfaction of loans. The fair value of ORE is determined on the basis of current appraisals, comparable sales, and other estimates of fair value obtained principally from independent sources, adjusted for estimated selling costs. An asset that is acquired through, or in lieu of, a loan foreclosure is valued at the fair value of the asset less the estimated cost to sell. The fair value results in a new cost basis for the asset. Subsequent to foreclosure, valuations are updated

periodically and assets are marked to current fair value but not to exceed the new cost basis. In the determination of fair value subsequent to foreclosure, management also considers other factors or recent developments, such as changes in absorption rates or market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition, which could result in adjustment to lower the fair value estimates indicated in the appraisals. Internally adjusted valuations are considered Level 3 measurements as management uses assumptions that may not be observable in the market.

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Other assets held for sale consist of certain premises and equipment held for sale, including those related to the efficiency initiatives discussed in Note 3, Restructuring Charges, herein. These assets are classified as held for sale and recorded at the lower of their amortized cost or fair value, less costs to sell, consistent with ASC 360-10. The fair value of these assets is determined primarily on the basis of appraisals or BOV, as circumstances warrant, adjusted for estimated selling costs. Both techniques engage licensed or certified professionals that use inputs such as absorption rates, capitalization rates, and market comparables; these valuations are considered Level 3 measurements since assumptions or inputs may not be observable in the market.

Quantitative Information about Level 3 Fair Value Measurements

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

September 30, 2012

| (dollars in thousands) | Level 3 Fair Value | Valuation Technique | Significant Unobservable Input | Range (Weighted Average)(a) |
|--|-----------------------|--|--|---|
| Assets measured at fair value on a recurring basis | | | | |
| Investment Securities Available for Sale | | | | |
| Equity securities | \$891 | Individual analysis of each investment | Multiple data points, including, but not limited to evaluation of past and projected business performance ^(b) | N/A |
| Other investments: | | | | |
| Corporate bonds | 1,001 | Discounted cash flow | Credit spread embedded in discount rate Discount for lack of marketability ^(b) | 500-700 bps (598 bps) 0%-10% (0%) |
| Trust preferred securities | 2,289 | Discounted cash flow | Credit spread embedded in discount rate Discount for lack of marketability ^(b) | 450-750 bps (646 bps) 0%-10% (0%) |
| Private equity investments | 28,903 | Individual analysis of each investee company | Multiple factors, including but not limited to, current operations, financial conditions, cash flows, evaluation of business management and financial plans, and recently executed company transactions related to the investee companies ^(b) | N/A |
| Visa derivative liability | \$2,595 | Probability model | Probability-weighted potential outcomes of the Covered | \$400 thousand to \$2.6 million (\$2.6 million) |

Litigation, and fees payable to the counterparty, through the estimated term of the contract

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| (dollars in thousands) | September 30, 2012 | | Significant Unobservable Input | Range (Weighted Average) ^(a) |
|--|--------------------|---|---------------------------------|---|
| | Level 3 Fair Value | Valuation Technique | | |
| Assets measured at fair value on a non-recurring basis | | | | |
| Collateral dependent impaired loans | \$102,571 | Third party appraised value of collateral less estimated selling costs | Discount to appraised value (c) | 0%-9% (6%) |
| | | | Estimated selling costs | 0%-10% (7%) |
| Other loans held for sale | 479 | Third party appraised value of collateral less estimated selling costs | Appraised value (c) | 0%-9% (0%) |
| | | | Estimated selling costs | 0%-10% (7%) |
| Other real estate | 151,098 | Third party appraised value of collateral less estimated selling costs | Discount to appraised value (c) | 0%-5% (4%) |
| | | | Estimated selling costs | 0%-10% (7%) |
| Other assets held for sale | \$540 | Third party appraised value of collateral less estimated selling costs or BOV | Discount to appraised value (c) | 0% - 30% (8%) |
| | | | Estimated selling costs | 0%-10% (7%) |

(a) The range represents management's best estimate of the high and low of the value that would be assigned to a particular input. The weighted average is the measure of central tendencies; it is the value that management is using or most likely to use for the asset or liability.

(b) Represents management's estimate of discount that market participants would require based on the instrument's lack of marketability.

(c) Synovus also makes adjustments to the values of the assets listed above for various reasons, including age of the appraisal, information known by management about the property, such as occupancy rates, changes to the physical conditions of the property, and other factors.

Sensitivity Analysis of Level 3 Unobservable Inputs Measured on a Recurring Basis

Included in the fair value estimates of financial instruments carried at fair value on the consolidated balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by observable market prices, rates, or other inputs. Unobservable inputs are assessed carefully, considering the current economic environment and market conditions. However, by their very nature, unobservable inputs imply a degree of uncertainty in their determination, because they are supported by little, if any, market activity for the related asset or liability.

Investment Securities Available for Sale

The significant unobservable inputs used in the fair value measurement of the corporate obligations in Level 3 assets are the credit spread embedded in the discount rate and the discount for lack of marketability. Generally, a change in one or more assumptions, and the degree or sensitivity of the change used, can have a meaningful impact on fair value. With regard to the corporate bonds and trust preferred securities in Level 3 assets, raising the credit spread, and raising the discount for lack of marketability assumptions will result in a lower fair value measurement.

Private Equity Investments

In the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of private equity investments, significant judgment is required to value these investments. The significant unobservable inputs used in the fair value measurement of private equity investments include current operations, financial condition, and cash flows, comparables and private sales, when available; and recently executed financing transactions related to investee companies.

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Visa Derivative Liability

The fair value of the Visa derivative liability is measured using a probability model, which utilizes probability weighted scenarios for estimates of Visa's aggregate exposure (from which the Company's exposure is derived) to Covered Litigation matters, which include consideration of amounts funded by Visa into its escrow account for the Covered Litigation matters, Visa's disclosures about the Covered Litigation, and estimated future monthly fees payable to the derivative counterparty. Significant increases (decreases) in any of these inputs in isolation would result in a significantly higher (lower) valuation of the Visa derivative liability. Generally, a change in the amount funded by Visa into its escrow for the Covered Litigation would have a directionally similar change in the assumptions used for the discounted cash flow technique used to compute fair value.

Fair Value of Financial Instruments

The following table presents the carrying and fair values of financial instruments at September 30, 2012 and December 31, 2011. The fair value represents management's best estimates based on a range of methodologies and assumptions. For financial instruments that are not recorded at fair value on the balance sheet, such as loans, interest bearing deposits (including brokered deposits), and long-term debt, the figures given in the notes should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately. The fair values of financial instruments include accrued interest, as applicable.

Cash and cash equivalents, interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and federal funds sold and securities purchased under resale agreements are repriced on a short-term basis; as such, the carrying value closely approximates fair value. Since these amounts generally relate to highly liquid assets, these are considered a Level 1 measurement.

Loans, net of deferred fees and costs, are recognized at the amount of funds advanced, less charge-offs and an estimation of credit risk represented by the allowance for loan losses. The fair value estimates for disclosure purposes differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features, and remaining maturity. The fair value of loans is estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type, such as commercial, mortgage, home equity, credit card, and other consumer loans. Commercial loans are further segmented into certain collateral code groupings. The fair value of the loan portfolio is calculated, in accordance with ASC 825-10-50, by discounting contractual cash flows using estimated market discount rates, which reflect the credit and interest rate risk inherent in the loan. This method of estimating fair value does not incorporate the exit-price concept of fair value prescribed by ASC 820-10 and generally produces a higher value than a pure exit price approach. For loans measured using the estimated fair value of collateral less costs to sell, fair value is estimated using appraisals of the collateral. Collateral values are monitored and additional write-downs are recognized if it is determined that the estimated collateral values have declined further. Estimated costs to sell are based on current amounts of disposal costs for similar assets. Carrying value is considered to reflect fair value for these loans. Loans are considered a Level 3 fair value measurement.

The fair value of deposits with no stated maturity, such as non-interest bearing demand accounts, interest bearing demand deposits, money market accounts, and savings accounts, is estimated to be equal to the amount payable on demand as of that respective date. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values. Synovus has developed long-term relationships with its customers through its deposit base and, in the opinion of management; these items add significant value to Synovus. Synovus has determined that the appropriate classification for deposits is Level 2 due to the ability to reasonably measure all inputs to valuation based on observable market variables.

Short-term and long-term debt is also considered a Level 2 valuation, as management relies on market prices for bonds or debt that is similar, but not necessarily identical, to the debt being valued. Short-term debt that matures within ten days is assumed to be at fair value, and is considered a Level 1 measurement. The fair value of other short-term and long-term debt with fixed interest rates is calculated by discounting contractual cash flows using market discount rates for bonds or debt that is similar but not identical.

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The carrying and estimated fair values of financial instruments, as well as the level within the fair value hierarchy, as of September 30, 2012 and December 31, 2011 are as follows:

| (in thousands) | September 30, 2012 | | | | |
|---|--------------------|----------------------|---------|------------|------------|
| | Carrying Value | Estimated Fair Value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | |
| Cash and cash equivalents | \$454,028 | 454,028 | 454,028 | — | — |
| Interest bearing funds with Federal Reserve Bank | 815,156 | 815,156 | 815,156 | — | — |
| Interest earning deposits with banks | 27,215 | 27,215 | 27,215 | — | — |
| Federal funds sold and securities purchased under resale agreements | 116,318 | 116,318 | 116,318 | — | — |
| Trading account assets | 5,953 | 5,953 | 19 | 5,934 | — |
| Mortgage loans held for sale | 246,224 | 246,224 | — | 246,224 | — |
| Impaired/other loans held for sale | 11,254 | 11,254 | — | — | 11,254 |
| Investment securities available for sale | 3,229,440 | 3,229,440 | 3,286 | 3,221,973 | 4,181 |
| Private equity investments | 29,890 | 29,890 | — | 987 | 28,903 |
| Mutual funds held in Rabbi Trusts | 9,851 | 9,851 | 9,851 | — | — |
| Loans, net | 19,311,461 | 19,418,536 | — | — | 19,418,536 |
| Derivative assets | 75,801 | 75,801 | — | 75,801 | — |
| Financial liabilities | | | | | |
| Non-interest bearing deposits | 5,503,288 | 5,503,288 | — | 5,503,288 | — |
| Interest bearing deposits | 15,343,542 | 15,374,767 | — | 15,374,767 | — |
| Federal funds purchased and other short-term borrowings | 165,865 | 165,865 | — | 165,865 | — |
| Salary stock units | 1,281 | 1,281 | 1,281 | — | — |
| Long-term debt | 1,654,183 | 1,697,497 | — | 1,697,497 | — |
| Derivative liabilities | \$78,911 | 78,911 | — | 76,316 | 2,595 |

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| (in thousands) | December 31, 2011 | |
|---|-------------------|----------------------|
| | Carrying Value | Estimated Fair Value |
| Financial assets | | |
| Cash and cash equivalents | \$510,423 | 510,423 |
| Interest bearing funds with Federal Reserve Bank | 1,567,006 | 1,567,006 |
| Interest earning deposits with banks | 13,590 | 13,590 |
| Federal funds sold and securities purchased under resale agreements | 158,916 | 158,916 |
| Trading account assets | 16,866 | 16,866 |
| Mortgage loans held for sale | 161,509 | 161,509 |
| Impaired other loans held for sale | 30,156 | 30,156 |
| Investment securities available for sale | 3,690,125 | 3,690,125 |
| Private equity investments | 22,015 | 22,015 |
| Mutual funds held in Rabbi Trusts | 10,353 | 10,353 |
| Loans, net | 19,543,319 | 19,621,279 |
| Derivative asset positions | 84,923 | 84,923 |
| Financial liabilities | | |
| Non-interest bearing deposits | 5,366,868 | 5,366,868 |
| Interest bearing deposits | 17,044,884 | 17,092,784 |
| Federal funds purchased and other short-term borrowings | 313,757 | 313,757 |
| Long-term debt | 1,364,727 | 1,302,560 |
| Derivative liability positions | \$96,574 | 96,574 |

Note 8 - Derivative Instruments

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

From time to time, Synovus utilizes interest rate swaps to manage interest rate risks primarily arising from its core banking activities. These interest rate swap transactions generally involve the exchange of fixed and floating rate interest rate payment obligations without the exchange of underlying principal amounts. Swaps may be designated as either cash flow hedges or fair value hedges, as discussed below. As of September 30, 2012 and December 31, 2011, Synovus had no outstanding interest rate swap contracts utilized to manage interest rate risk.

Cash Flow Hedges

Synovus designates hedges of floating rate loans as cash flow hedges. These swaps hedge against the variability of cash flows from specified pools of floating rate prime based loans. Synovus calculates effectiveness of the hedging relationship quarterly using regression analysis. The effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Ineffectiveness from cash flow hedges is recognized in the consolidated statements of operations as a component of other non-interest income. As of September 30, 2012, there were no cash flow hedges outstanding, and therefore, no cumulative ineffectiveness.

Synovus expects to reclassify from accumulated other comprehensive income \$(447) thousand to pre-tax income during the next twelve months as amortization of deferred losses are recorded.

Synovus did not terminate any cash flow hedges during 2012 or 2011. The remaining unamortized deferred loss balance on all previously terminated cash flow hedges at September 30, 2012 and December 31, 2011 was \$(2.1) million and \$(630) thousand, respectively.

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Fair Value Hedges

Synovus designates hedges of fixed rate liabilities as fair value hedges. These swaps hedge against the change in fair value of various fixed rate liabilities due to changes in the benchmark interest rate, LIBOR. Synovus calculates effectiveness of the fair value hedges quarterly using regression analysis. As of September 30, 2012, there were no fair value hedges outstanding, and therefore, no cumulative ineffectiveness. Ineffectiveness from fair value hedges is recognized in the consolidated statements of operations as a component of other non-interest income.

Synovus did not terminate any fair value hedges during 2012 or 2011. The remaining unamortized deferred net gain balance on all previously terminated fair value hedges at September 30, 2012 and December 31, 2011 was \$15.0 million and \$21.2 million, respectively.

Customer Related Derivative Positions

Synovus also enters into derivative financial instruments to meet the financing and interest rate risk management needs of its customers. Upon entering into these instruments to meet customer needs, Synovus enters into offsetting positions in order to minimize the interest rate risk. These derivative financial instruments are recorded at fair value with any resulting gain or loss recorded in current period earnings. As of September 30, 2012, the notional amount of customer related interest rate derivative financial instruments, including both the customer position and the offsetting position, was \$1.25 billion, a decrease of \$242.2 million compared to December 31, 2011.

Visa Derivative

In conjunction with the sale of Class B shares of common stock issued by Visa to Synovus as a Visa USA member, Synovus entered into a derivative contract with the purchaser, which provides for settlements between the parties based upon a change in the ratio for conversion of Visa Class B shares to Visa Class A shares. The conversion ratio changes when Visa deposits funds to a litigation escrow established by Visa to pay settlements for certain litigation, for which Visa is indemnified by Visa USA members. The litigation escrow is funded by proceeds from Visa's conversion of Class B shares. The fair value of the derivative liability is based on an estimate of Synovus' membership proportion of Visa's aggregate exposure to the Covered Litigation, or in effect, the future cumulative deposits to the litigation escrow for settlement of the Covered Litigation, and estimated future monthly fees payable to the derivative counterparty. See Note 11 for further discussion.

Mortgage Derivatives

Synovus originates first lien residential mortgage loans for sale to the secondary market and generally does not hold the originated loans for investment purposes. Mortgage loans are sold by Synovus for conversion into securities and the servicing of these loans is sold to a third-party servicing aggregator, or Synovus sells the mortgage loans as whole loans to investors either individually or in bulk on a servicing released basis.

At September 30, 2012 and December 31, 2011, Synovus had commitments to fund at a locked interest rate, primarily fixed-rate mortgage loans to customers in the amount of \$204.2 million and \$115.5 million, respectively. The fair value of these commitments at a locked interest rate resulted in an unrealized net gain of \$4.7 million and \$3.8 million for the nine months ended September 30, 2012 and 2011, respectively, which was recorded as a component of mortgage banking income in the consolidated statements of operations.

At September 30, 2012 and December 31, 2011, outstanding commitments to sell primarily fixed-rate mortgage loans amounted to \$241.0 million and \$202.5 million, respectively. Such commitments are entered into to reduce the exposure to market risk arising from potential changes in interest rates, which could affect the fair value of mortgage loans held for sale and outstanding commitments at a locked interest rate to originate residential mortgage loans for resale. The commitments to sell mortgage loans are at fixed prices and are scheduled to settle at specified dates that generally do not exceed 90 days. The fair value of outstanding commitments to sell mortgage loans resulted in an unrealized loss of \$4.0 million and \$3.8 million, respectively, for the nine months ended September 30, 2012 and 2011, respectively, which was recorded as a component of mortgage revenue in the consolidated statements of operations.

Counterparty Credit Risk and Collateral

Entering into derivative contracts potentially exposes Synovus to the risk of counterparties' failure to fulfill their legal obligations, including, but not limited to, potential amounts due or payable under each derivative contract. Notional principal amounts are often used to express the volume of these transactions, but the amounts potentially subject to

credit risk are much smaller. Synovus assesses the credit risk of its dealer counterparties by regularly monitoring publicly available credit rating information and other market indicators. Dealer collateral requirements are determined via risk-based policies and procedures and in accordance with existing agreements. Synovus seeks to minimize dealer credit risk by dealing with highly rated counterparties and by obtaining collateral for exposures above certain predetermined limits. Management closely monitors credit conditions within the customer swap portfolio, which management deems to be of higher risk than dealer counterparties. Collateral is secured

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at origination, and credit related fair value adjustments are recorded against the asset value of the derivative as deemed necessary based upon an analysis, which includes consideration of the current asset value of the swap, customer credit rating, collateral value, and customer standing with regards to its swap contractual obligations and other related matters. Such asset values fluctuate based upon changes in interest rates regardless of changes in notional amounts and changes in customer specific risk.

Collateral Contingencies

Certain derivative instruments contain provisions that require Synovus to maintain an investment grade credit rating from each of the major credit rating agencies. When Synovus' credit rating falls below investment grade, these provisions allow the counterparties of the derivative instrument to demand immediate and ongoing full collateralization on derivative instruments in net liability positions and, for certain counterparties, request immediate termination. As Synovus' current rating is below investment grade, Synovus is required to post collateral, as required by each agreement, against these positions. As of September 30, 2012, collateral totaling \$110.0 million, consisting of cash and short-term investments, has been pledged to the derivative counterparties to comply with collateral requirements.

The impact of derivative instruments on the consolidated balance sheets at September 30, 2012 and December 31, 2011 is presented below.

| (in thousands) | Fair Value of Derivative Assets | | | Fair Value of Derivative Liabilities | | |
|---|--|--------------------|-------------------|--|--------------------|-------------------|
| | Location on Consolidated Balance Sheet | September 30, 2012 | December 31, 2011 | Location on Consolidated Balance Sheet | September 30, 2012 | December 31, 2011 |
| Derivatives not designated as hedging instruments: | | | | | | |
| Interest rate contracts | Other assets | \$ 71,110 | 83,072 | Other liabilities | \$ 72,349 | 85,534 |
| Mortgage derivatives | Other assets | 4,691 | 1,851 | Other liabilities | 3,967 | 1,947 |
| Visa derivative | Other assets | — | — | Other liabilities | 2,595 | 9,093 |
| Total derivatives not designated as hedging instruments | | \$ 75,801 | 84,923 | | \$ 78,911 | 96,574 |
| Total derivatives | | \$ 75,801 | 84,923 | | \$ 78,911 | 96,574 |

The effect of the amortization of the termination of cash flow hedges on the consolidated statements of operations for the nine months ended September 30, 2012 and 2011 is presented below.

| (in thousands) | Amount of Gain (Loss) Recognized in OCI Effective Portion Nine Months Ended September 30, | | Location of Gain (Loss) Reclassified from OCI into Income Effective Portion | Amount of Gain (Loss) Reclassified from OCI into Income Effective Portion | | Location of Gain (Loss) Recognized in Income Ineffective Portion | Amount of Gain (Loss) Recognized in Income Ineffective Portion | |
|-------------------------|---|---------|---|---|-------|--|--|------|
| | 2012 | 2011 | | 2012 | 2011 | | 2012 | 2011 |
| Interest rate contracts | \$(778) | (3,477) | Interest income | \$714 | 5,974 | Other non-interest income | \$— | — |

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| (in thousands) | Derivative | 2012 | 2011 | Hedged Item | 2012 | 2011 |
|---|---------------------------|------------|----------|-------------|------|------|
| Derivatives not designated as hedging instruments | | | | | | |
| Interest rate contracts ⁽¹⁾ | Other non-interest income | \$51 | (341) | | \$— | — |
| Mortgage derivatives ⁽²⁾ | Mortgage banking income | (1,068) | (823) | | — | — |
| Total | | \$(1,017) | (1,164) | | \$— | — |

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

(2) Gain (loss) represents net fair value adjustments recorded for interest rate lock commitments and commitments to sell mortgage loans.

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Note 9 - Earnings (Loss) Per Common Share

The following table displays a reconciliation of the information used in calculating basic and diluted earnings (loss) per common share for the nine and three months ended September 30, 2012 and 2011.

| (in thousands, except per share data) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|--|------------------------------------|------------|-------------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Basic Earnings (Loss) Per Common Share | | | | |
| Net income (loss) available to common shareholders | \$62,202 | (131,490) | 16,030 | 15,667 |
| Weighted average number of common shares outstanding | 786,429 | 785,267 | 786,576 | 785,280 |
| Basic earnings (loss) per common share | \$0.08 | (0.17) | 0.02 | 0.02 |
| Diluted Earnings (Loss) Per Common Share | | | | |
| Net income (loss) available to common shareholders | \$62,202 | (131,490) | 16,030 | 15,667 |
| Weighted average number of common shares outstanding | 786,429 | 785,267 | 786,576 | 785,280 |
| Add: | | | | |
| Effect of dilutive share based awards | 439 | (a) | 971 | 2,669 |
| Effect of tMEDS settlement | 122,849 | (a) | 122,849 | 122,867 |
| Weighted average number of diluted common shares | 909,717 | 785,267 | 910,396 | 911,247 |
| Diluted earnings (loss) per common share | \$0.07 | (0.17) | 0.02 | 0.02 |

(a) Synovus reported a net loss attributable to common shareholders for the nine months ended September 30, 2011. For this period, diluted loss per share equals basic loss per share pursuant to ASC 260-10-45 as the effect of settling share based awards and tMEDS contracts would be anti-dilutive. For the nine and three months ended September 30, 2012, the number of anti-dilutive shares was 25.3 million and 24.8 million, respectively. For the three months ended September 30, 2011, the number of anti-dilutive shares was 18.1 million.

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

Note 10 - Share-based Compensation

General Description of Share-based Plans

Synovus has a long-term incentive plan under which the Compensation Committee of the Board of Directors has the authority to grant share-based awards to Synovus employees. At September 30, 2012, Synovus had a total of 23,696,462 shares of its authorized but unissued Common Stock reserved for future grants under the 2007 Omnibus Plan. The Plan permits grants of share-based compensation including stock options, non-vested shares, and restricted share units. The grants generally include vesting periods ranging from two to five years and contractual terms of ten years. Stock options are granted at exercise prices which equal the fair value of a share of common stock on the grant-date. Non-vested shares and restricted share units are awarded at no cost to the recipient upon their grant. Synovus has historically issued new shares to satisfy share option exercises and share unit conversions. Dividend equivalents are paid on outstanding restricted share units in the form of additional restricted share units that vest over the same vesting period or the vesting period left on the original restricted share unit grant.

Share-based Compensation Expense

Synovus' share-based compensation costs associated with employee grants are recorded as a component of salaries and other personnel expense in the consolidated statements of operations. Share-based compensation costs associated with

grants made to non-employee directors of Synovus are recorded as a component of other operating expenses. Share-based compensation expense for service-based awards is recognized net of estimated forfeitures for plan participants on a straight-line basis over the vesting period. Total share-based compensation expense was \$7.0 million and \$2.4 million for the nine and three months ended September 30, 2012 and \$4.3 million and \$2.0 million for the nine and three months ended September 30, 2011, respectively.

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Stock Options

During the nine months ended September 30, 2012, Synovus awarded an aggregate amount of 4,586,666 stock options to key employees throughout the Synovus organization. The awards contain a service-based vesting period of three years. The weighted average grant-date fair value of the awarded stock options was \$1.03 determined using the Black-Scholes option pricing model. At September 30, 2012, there were 19,405,814 options to purchase shares of Synovus' common stock outstanding with a weighted average exercise price of \$8.38.

Restricted Share Units and Salary Stock Units

During the nine months ended September 30, 2012, Synovus awarded an aggregate amount of 3,160,800 restricted share units to key employees and non-employee directors. The majority of the awards contain a service-based vesting period of three years. In addition to the service vesting requirement, the vesting of certain awards made to senior management is contingent upon the repayment of its Series A Preferred Stock and achievement of profitability vesting requirements. The weighted average grant-date fair value of the awarded restricted share units was \$2.05 per share. At September 30, 2012, including dividend equivalents granted, there were 6,338,351 restricted share units outstanding with a weighted average grant-date fair value of \$2.36.

During the nine months ended September 30, 2012, Synovus also granted 540,539 salary stock units to senior management, which vested and were expensed immediately upon grant. Each salary stock unit represents a right to one share of common stock. Compensation expense is determined based on the number of salary stock units granted and the market price of Synovus' common stock at the grant date. The total fair value of salary stock units granted during the nine months ended September 30, 2012 was \$1.3 million. The salary stock units are classified as liabilities and will be settled in cash in February 2013.

Note 11 - Visa Shares and Related Agreement

Synovus is a member of the Visa USA network and received shares of Visa Class B common stock in exchange for its membership interest in Visa USA in conjunction with the public offering by the Visa IPO in 2008. Visa members have indemnification obligations with respect to the Covered Litigation. Visa Class B shares are subject to certain restrictions until March 25, 2011 or settlement of the Covered Litigation. As of September 30, 2012, all of the Covered Litigation had not been settled. Visa has established a litigation escrow to fund settlement of the Covered Litigation. The litigation escrow is funded by proceeds from Visa's conversion of Class B shares.

The Visa IPO was completed in March 2008. Immediately following completion of the Visa IPO in March 2008, Visa redeemed a portion of the Class B shares of its common stock held by Visa members. Synovus recognized a pre-tax gain of \$38.5 million on redemption of a portion of its Visa Class B shares. During 2008 and 2009, Synovus reduced its contingent liability for its indemnification obligation upon events of Visa's funding of the litigation escrow through conversion of Class B shares as described above.

In November 2009, Synovus sold its remaining Visa Class B shares to another Visa USA member financial institution for \$51.9 million and recognized a gain on sale of \$51.9 million. In conjunction with the sale, Synovus entered into a derivative contract with the purchaser which provides for settlements between the parties based upon a change in the ratio for conversion of Visa Class B shares to Visa Class A shares. The fair value of the derivative liability of \$2.6 million and \$9.1 million, at September 30, 2012 and December 31, 2011, respectively, is based on an estimate of Visa's exposure to liability based upon probability-weighted potential outcomes of the Covered Litigation, and with respect to September 30, 2012 includes the present value of estimated future fees payable to the derivative counterparty, and the estimated impact of a 10 b.p.s decrease in credit interchange fees for an eight-month period beginning in mid-2013.

The conversion rate from Visa Class B to Visa Class A shares changed in February 2012 in conjunction with Visa's \$1.57 billion deposit to the litigation escrow in December 2011. Synovus paid a settlement of \$9.9 million to the derivative counterparty in connection with the conversion rate change in the first quarter of 2012. During the nine and three months ended September 30, 2012, Synovus increased the fair value of its derivative liability by \$5.1 million and \$833 thousand, respectively, and recognized a corresponding indemnification charge to earnings of \$5.5 million and \$833 thousand, respectively. For the nine months ended September 30, 2012, the \$5.5 million indemnification charges included the \$5.1 million increase in the fair value of the derivative liability and \$466 thousand of fees

payable to the derivative counterparty.

On July 13, 2012, Visa announced that it had signed a memorandum of understanding with the class plaintiffs in the multi-district interchange litigation, and that Visa's share of the proposed approximately \$6.6 billion in settlement payments would represent approximately \$4.4 billion. Additionally, Visa disclosed that the memorandum of understanding provides for distribution to class merchants of an amount equal to ten basis points of default interchange across all credit rate categories for a period of eight consecutive months, which otherwise would have been paid to issuers and which effectively reduces credit interchange for that period of time. The eight month period would begin sixty days after completion of the court ordered period during which individual class members may opt out of the proposed settlement. On July 24, 2012, Visa announced that it had deposited \$150.0

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million into the litigation escrow and reduced the conversion rate discussed above. Synovus paid a settlement of \$888 thousand to the derivative counterparty in connection with the change in conversion rate. During the third quarter of 2012 these announcements have been factored into the fair value determination as of September 30, 2012 using the probability model described in Note 7. Management believes that the estimate of Synovus' exposure to the Visa indemnification and fees associated with the Visa Derivative is adequate based on current information, including Visa's recent announcements. However, future developments in the litigation could require potentially significant changes to Synovus' estimate.

Note 12 - Income Taxes

For the nine and three months ended September 30, 2012, Synovus determined the income tax expense for the periods by applying the estimated annual effective tax rate to taxable income. For the nine and three months ended September 30, 2011, Synovus determined that a reliable annual effective tax rate estimate could not be made; accordingly, Synovus calculated income tax expense based on an actual effective tax rate applied to the year-to-date results. Synovus assesses its deferred tax asset valuation allowance at each reporting period. The determination of whether a valuation allowance for deferred tax assets is needed is subject to considerable judgment and requires an evaluation of all available positive and negative evidence. Based on the assessment at September 30, 2012 and the weight of all available evidence, management concluded that maintaining the deferred tax assets valuation allowance was appropriate.

A reconciliation of the beginning and ending amounts of the valuation allowance recorded against deferred tax assets is as follows:

| Deferred Tax Asset Valuation Allowance (in thousands) | 2012 | 2011 |
|--|-----------|-----------|
| Balance at January 1, | \$821,429 | 774,961 |
| (Decrease) increase for the three months ended March 31, | (4,181 |) 43,906 |
| (Decrease) increase for the three months ended June 30, | (16,859 |) 9,723 |
| Decrease for the three months ended September 30, | (13,331 |) (11,725 |
| Balance at September 30, | \$787,058 | 816,865 |

Synovus' income tax returns are subject to review and examination by federal, state, and local taxing jurisdictions. Currently, no years for which Synovus files a federal income tax return or state income tax returns are under examination by the IRS and state tax authorities.

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A reconciliation of the beginning and ending amount of unrecognized income tax benefits is as follows (unrecognized state income tax benefits are not adjusted for the federal income tax impact).

Unrecognized Income Tax Benefits

| (in thousands) | 2012 | 2011 |
|---|---------|--------|
| Balance at January 1, | \$5,985 | 6,315 |
| First quarter activity: | | |
| Additions based on income tax positions related to current year | 57 | 70 |
| Reductions for income tax positions of prior years | (343 |) (415 |
| Net, first quarter activity | (286 |) (345 |
| Balance at March 31, | 5,699 | 5,970 |
| Second quarter activity: | | |
| Additions based on income tax positions related to current year | 58 | 70 |
| Additions for income tax positions of prior years | 175 | — |
| Reductions for income tax positions of prior years | (2,431 |) — |
| Settlements | (1,250 |) — |
| Net, second quarter activity | (3,448 |) 70 |
| Balance at June 30, | 2,251 | 6,040 |
| Third quarter activity: | | |
| Additions based on income tax positions related to current year | 47 | 69 |
| Reductions for income tax positions of prior years | — | (106 |
| Settlements | (175 |) — |
| Net, third quarter activity | (128 |) (37 |
| Balance at September 30, | \$2,123 | 6,003 |

Accrued interest and penalties related to unrecognized income tax benefits are included as a component of income tax expense. Accrued interest and penalties on unrecognized income tax benefits totaled \$1.5 million and \$429 thousand as of January 1 and September 30, 2012, respectively. Total unrecognized income tax benefits as of January 1 and September 30, 2012 that, if recognized, would affect the effective income tax rate is \$4.8 million and \$1.7 million (net of the federal benefit on state income tax issues) respectively, which includes interest and penalties of \$943 thousand and \$279 thousand, respectively. During the third quarter of 2012, Synovus reached a settlement with a state taxing authority which resulted in a reduction of the FIN 48 reserve in the amount of \$175 thousand. Synovus expects an approximate range of \$209 thousand to \$1.1 million of uncertain income tax positions will be either settled or resolved during the next twelve months.

Note 13 - Legal Proceedings

Synovus carefully examines and considers each legal matter, and, in those situations where Synovus determines that a particular legal matter presents loss contingencies that are both probable and reasonably estimable, Synovus establishes an appropriate accrual. An event is considered to be "probable" if "the future event is likely to occur." The actual amounts accrued by Synovus in respect of legal matters as of September 30, 2012 are not material to Synovus' consolidated financial statements. The actual costs of resolving legal claims may be higher or lower than the amounts accrued.

In addition, where Synovus determines that there is a reasonable possibility of a loss in respect of legal matters, including those legal matters described below; Synovus considers whether it is able to estimate the total reasonably possible loss or range of loss. An event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely." An event is "remote" if "the chance of the event or future event occurring is more than slight but less than reasonably possible." In many situations, Synovus may be unable to estimate reasonably possible losses due to the preliminary nature of the legal matters, as well as a variety of other factors and uncertainties. For those legal matters where Synovus is able to estimate a range of reasonably possible losses, Synovus' management currently estimates the aggregate range of reasonably possible losses is from zero to \$75 million in excess of amounts

accrued, if any, related to those matters. This estimated aggregate range is based upon information currently available to Synovus, and the actual losses could prove to be higher. As there are further developments in these legal matters, Synovus will reassess these matters at least on a quarterly basis, and the estimated range of reasonably possible losses may change as a result of this assessment. Based on our current knowledge and advice of counsel, management

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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.

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

Securities Class Action and Related Litigation

On July 7, 2009, the City of Pompano Beach General Employees' Retirement System filed suit against Synovus, and certain of Synovus' current and former officers, in the United States District Court, Northern District of Georgia (Civil Action File No. 1:09-CV-1811) (the "Securities Class Action"); and on June 11, 2010, Lead Plaintiffs, the Labourers' Pension Fund of Central and Eastern Canada and the Sheet Metal Workers' National Pension Fund, filed an amended complaint alleging that Synovus and the named individual defendants misrepresented or failed to disclose material facts that artificially inflated Synovus' stock price in violation of the federal securities laws. Lead Plaintiffs' allegations are based on purported exposure to Synovus' lending relationship with the Sea Island Company and the impact of such alleged exposure on Synovus' financial condition. Lead Plaintiffs in the Securities Class Action seek damages in an unspecified amount. On May 19, 2011, the Court ruled that the amended complaint failed to satisfy the mandatory pleading requirements of the Private Securities Litigation Reform Act. The Court also ruled that Lead Plaintiffs would be allowed the opportunity to submit a further amended complaint. Lead Plaintiffs served their second amended complaint on June 27, 2011. Defendants filed a Motion to Dismiss that complaint on July 27, 2011. On March 22, 2012, the Court granted in part and denied in part that Motion to Dismiss. On April 19, 2012, the Defendants filed a motion requesting that the Court reconsider its March 22, 2012 order. On September 26, 2012, the Court issued a written order denying the Motion for Reconsideration. Defendants filed their answer to the second amended complaint on May 21, 2012. Discovery in this case is ongoing.

On November 4, 2009, a shareholder filed a putative derivative action purportedly on behalf of Synovus in the United States District Court, Northern District of Georgia (Civil Action File No. 1:09-CV-3069) (the "Federal Shareholder Derivative Lawsuit"), against certain current and/or former directors and executive officers of Synovus. The Federal Shareholder Derivative Lawsuit asserts that the individual defendants violated their fiduciary duties based upon substantially the same facts as alleged in the Securities Class Action described above. The plaintiff is seeking to recover damages in an unspecified amount and equitable and/or injunctive relief.

On December 1, 2009, at the request of the parties, the Court consolidated the Securities Class Action and Federal Shareholder Derivative Lawsuit for discovery purposes, captioned In re Synovus Financial Corp., 09-CV-1811-JOF, holding that the two cases involve "common issues of law and fact." Plaintiff in the Federal Shareholder Derivative Lawsuit served a verified amended shareholder derivative complaint on June 5, 2012. On July 25, 2012, Defendants filed a motion to dismiss the amended shareholder derivative complaint. Discovery in this case is ongoing.

On December 21, 2009, a shareholder filed a putative derivative action purportedly on behalf of Synovus in the Superior Court of Fulton County, Georgia (the "State Shareholder Derivative Lawsuit"), against certain current and/or former directors and executive officers of Synovus. The State Shareholder Derivative Lawsuit asserts that the individual defendants violated their fiduciary duties based upon substantially the same facts as alleged in the Federal Shareholder Derivative Lawsuit described above. The plaintiff is seeking to recover damages in an unspecified amount and equitable and/or injunctive relief. On June 17, 2010, the Superior Court entered an Order staying the State Shareholder Derivative Lawsuit pending resolution of the Federal Shareholder Derivative Lawsuit.

There are significant uncertainties involved in any potential class action and derivative litigation. Synovus may seek to mediate the Securities Class Action and Related Litigation in order to determine whether a reasonable settlement can be reached. In the event the Securities Class Action and the related litigation are not settled, Synovus and the

individually named defendants collectively intend to vigorously defend themselves against the Securities Class Action and Related Litigation.

Overdraft Litigation

Posting Order Litigation

On September 21, 2010, Synovus, Synovus Bank and CB&T were named as defendants in a putative multi-state class action relating to the manner in which Synovus Bank charges overdraft fees to customers. The case, Childs et al. v. Columbus Bank and Trust et al., was filed in the Northern District of Georgia, Atlanta Division, and asserts claims for breach of contract and breach of the covenant of good faith and fair dealing, unconscionability, conversion and unjust enrichment for alleged injuries suffered by plaintiffs as a result of Synovus Bank's assessment of overdraft charges in connection with its POS/debit and automated-teller

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machine cards allegedly resulting from the sequence used to post payments to the plaintiffs' accounts. On October 25, 2010, the Childs case was transferred to a multi-district proceeding in the Southern District of Florida. In Re; Checking Account Overdraft Litigation, MDL No. 2036. Plaintiffs amended their complaint on October 21, 2011. The Synovus entities filed a motion to dismiss the amended complaint on November 22, 2011. On July 26, 2012, the court denied the motion as to Synovus and Synovus Bank, but granted the motion as to CB&T. Synovus and Synovus Bank filed their answer to the amended complaint on September 24, 2012. The case is currently in discovery.

On January 25, 2012, Synovus Bank was named as a defendant in another putative multi-state class action relating to the manner in which Synovus Bank charges overdraft fees to customers. The case, Green et al. v. Synovus Bank, was filed in the Middle District of Georgia, Columbus Division, and asserts claims for breach of contract and breach of the covenant of good faith and fair dealing, unconscionability, conversion, unjust enrichment and money had and received for alleged injuries suffered by plaintiffs as a result of Synovus Bank's assessment of overdraft charges in connection with its POS/debit and automated-teller machine cards allegedly resulting from the sequence used to post payments to the plaintiffs' accounts. On February 14, 2012, Synovus Bank filed a motion to dismiss the complaint. On March 8, 2012, Plaintiff filed an amended complaint to add a claim under the Georgia Fair Business Practices Act. On March 22, 2012, Synovus Bank filed a motion to dismiss the amended complaint. That motion remains pending. On April 19, 2012, the Judicial Panel on Multidistrict Litigation issued a Conditional Transfer Order conditionally transferring the case to the multi-district proceeding in the Southern District of Florida. In Re; Checking Account Overdraft Litigation, MDL No. 2036. On April 20, 2012, Synovus Bank and Plaintiffs separately filed objections to the Conditional Transfer Order. On May 4 and 5, 2012 Synovus Bank and Plaintiffs separately filed motions to vacate the Conditional Transfer Order. On August 3, 2012, the Judicial Panel on Multidistrict Litigation ordered the case transferred to the multi-district proceeding in the Southern District of Florida. In Re; Checking Account Overdraft Litigation, MDL No. 2036.

On September 5, 2012, the plaintiffs in the Childs case filed an amended complaint that added Richard Green, the named plaintiff from the Green et al. v. Synovus Bank case, as a named plaintiff in the Childs case. As a result, the parties advised the court that the Green et al. v. Synovus Bank case should be dismissed without prejudice.

Assertion of Overdraft Fees as Interest Litigation

Synovus Bank was also named as a defendant in a putative state-wide class action in which the plaintiffs allege that overdraft fees charged to customers constitute interest and, as such, are usurious under Georgia law. The case, Griner et. al. v. Synovus Bank, et. al. was filed in Gwinnett County State Court (state of Georgia) on July 30, 2010, and asserts claims for usury, conversion and money had and received for alleged injuries suffered by the plaintiffs as a result of Synovus Bank's assessment of overdraft charges in connection with its POS/debit and automated-teller machine cards used to access customer accounts. Plaintiffs contend that such overdraft charges constitute interest and are therefore subject to Georgia usury laws. Synovus Bank contends that such overdraft charges constitute non-interest fees and charges under both federal and Georgia law and are otherwise exempt from Georgia usury limits. On September 1, 2010, Synovus Bank removed the case to the United States District Court for the Northern District of Georgia, Atlanta Division. The plaintiffs filed a motion to remand the case to state court. On July 22, 2011, the federal court entered an order granting plaintiffs' motion to remand the case to the Gwinnett County State Court. Synovus Bank subsequently filed a motion to dismiss. On February 22, 2012, the state court entered an order denying the motion to dismiss. On March 1, 2012, the state court signed and entered a certificate of immediate review thereby permitting Synovus Bank to petition the Georgia Court of Appeals for a discretionary appeal of the denial of the motion to dismiss. On March 12, 2012, Synovus Bank filed its application for interlocutory appeal with the Georgia Court of Appeals. On April 3, 2012, the Georgia Court of Appeals granted Synovus Bank's application for interlocutory appeal of the state court's order denying Synovus Bank's motion to dismiss. On April 11, 2012 Synovus Bank filed its notice of appeal. Oral arguments were heard in the case on September 19, 2012. The case remains pending on appeal.

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

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

FORWARD-LOOKING STATEMENTS

Certain statements made or incorporated by reference in this Report which are not statements of historical fact, including those under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this Report, constitute forward-looking statements within the meaning of, and subject to the protections of, Section 27A of the Securities Act 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,” “should,” “predicts,” “could,” “should,” “would,” “intends,” “targets,” “estimates,” “projects,” “plans,” “potential” and other similar words and 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;
further declines in the values of residential and commercial real estate may result in further write-downs of assets
- (2) and realized losses on disposition of non-performing assets, which may increase credit losses and negatively affect our financial results;
continuing weakness in the residential and commercial real estate environment, which may negatively impact our
- (3) ability to dispose of distressed assets, and may result in continued elevated levels of non-performing assets and potential problem loans;
- (4) the impact on our borrowing costs, capital costs and our liquidity due to further adverse changes in our credit ratings;
- (5) the risk that our allowance for loan losses may prove to be inadequate or may be negatively affected by credit risk exposures;
- (6) the concentration of our non-performing assets by loan type, in certain geographic regions and with affiliated borrowing groups;
- (7) 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;
restrictions or limitations on access to funds from historical and alternative sources of liquidity could adversely
- (8) 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;
- (9) future availability and cost of additional capital and liquidity on favorable terms, if at all;
the risks that we may be required to undertake additional strategic initiatives or seek or deploy additional capital
- (10) to satisfy applicable and proposed regulatory capital standards and pressures in light of expected increases in capital requirements or as a result of supervisory actions or directives;
- (11)

changes in the cost and availability of funding due to changes in the deposit market and credit market, including any loss of deposits as a result of the scheduled expiration of the unlimited FDIC insurance coverage on demand deposits, or the way in which we are perceived in such markets, including a further reduction in our credit ratings; risks related to the timing of the reversal of our deferred tax asset valuation allowance, which is subject to (12) considerable judgment, and the risk that even after the recovery of our deferred tax asset balance under GAAP, there will remain limitations on the ability to include our deferred tax assets for regulatory capital purposes;

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- the risk that we could have an “ownership change” under Section 382 of the IRC, which could impair our ability to
- (13) timely and fully utilize our net operating losses and built-in losses that may exist when such “ownership change” occurs;
- the impact of our continued participation in TARP and the CPP, including the impact on compensation and other
- (14) restrictions imposed under TARP which affect our ability to attract, retain, and compensate talented executives and other employees and the impact of actions that we may be required to take to exit from the CPP and repay the outstanding Series A Preferred Stock issued under the CPP;
- the impact of the Dodd-Frank Act and other recent and proposed changes in governmental policy, laws and
- (15) 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;
- the impact on our financial results, reputation, and business if we are unable to comply with all applicable federal
- (16) and state regulations and applicable memoranda of understanding, other supervisory actions or directives and any necessary capital initiatives;
- the risk that our enterprise risk management framework may not identify or address risks adequately, which may
- (17) result in unexpected losses;
- the continuing impact of the execution of our strategic plan and efficiency and growth initiatives announced in
- (18) late 2010 and January 2011, including the risk that we may not sustain the annual levels of expense savings realized to date under the plan or achieve the additional expense savings, revenue growth and other benefits from such initiatives;
- the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments
- (19) related thereto;
- risks related to a failure in or breach of our operational or security systems of our infrastructure, or those of our
- (20) 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;
- the costs of services and products provided to us by third parties, whether as a result of our financial condition,
- (21) credit ratings, the way we are perceived by such parties, the economy or otherwise;
- the effects of any damages to Synovus' reputation resulting from developments related to any of the items
- (22) identified above; and
- other factors and other information contained in this Report and in other reports and filings that we make with the
- (23) SEC under the Exchange Act, including, without limitation, those found in "Part I - Item 1A.- Risk Factors" of Synovus' 2011 Form 10-K.

For a discussion of these and other risks that may cause actual results to differ from expectations, refer to “Risk Factors” and other information contained in Synovus’ 2011 Form 10-K and other periodic filings, including this Report and other quarterly reports on Form 10-Q and current reports on Form 8-K, that Synovus files 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. Undue reliance on any forward-looking statements should not be placed given that 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.

INTRODUCTION AND CORPORATE PROFILE

Synovus Financial Corp. is a diversified financial services company and a registered financial holding company headquartered in Columbus, Georgia. Synovus provides integrated financial services including commercial and retail banking, financial management, insurance, and mortgage services to its customers through 30 locally-branded banking divisions of its wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida, and Tennessee.

The following financial review summarizes the significant trends affecting Synovus' results of operations and financial condition for the nine and three months ended September 30, 2012. This discussion supplements, and should be read in conjunction with, the unaudited consolidated financial statements and notes thereto contained elsewhere in this Report and the consolidated financial statements of Synovus, the notes thereto, and management's discussion and analysis contained in Synovus' 2011 Form 10-K.

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The discussion is divided into key segments:

- Executive and Economic Overview—Provides a business overview, including our thoughts on the impact of the economy, legislative and regulatory initiatives, and recent industry developments.
- Discussion of Results of Operations—Reviews Synovus' financial performance, as well as selected balance sheet items, items from the statement of operations, and certain key ratios that illustrate Synovus' performance.
- Credit Quality, Capital Resources and Liquidity—Discusses credit quality, market risk, and liquidity, as well as performance trends. It also includes a discussion of liquidity policies, how Synovus obtains funding, and related performance.
- Additional Disclosures—Provides comments on additional important matters including other contingencies, critical accounting policies and Non-GAAP financial measures used within the Report.

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

EXECUTIVE AND ECONOMIC OVERVIEW

Economic Overview

For the nine and three months ended September 30, 2012, economic growth has continued at a very modest pace with limited job growth and above average unemployment levels.

Business investment and hiring has been very sluggish in recent months, which has generally been attributed to the current high level of political and fiscal policy uncertainty.

The Conference Board Consumer Confidence Index,[®] which continues to reflect volatility from the uncertainties in the national and global economies, improved to 70.3%, in September 2012, up from 62.0% at June 2012, as compared to 69.5% for March 2012, and 64.8% for December 2011. Consumer spending could be negatively impacted by economic and political uncertainty.

The banking industry continues to be negatively affected by the national economic recession and real estate valuation declines, which has resulted in a significant number of bank closings, particularly in Georgia and Florida, where nearly one third of all bank seizures since the start of 2010 have occurred. A total of 457 banks have failed from January 2008 through September 30, 2012, with 84 of those banks based in Georgia and 63 in Florida. During the nine months ended September 30, 2012, bank failures included 9 in Georgia and 5 in Florida, an improvement from the same period a year ago when bank failures included 19 in Georgia and 11 in Florida.

Global markets also show signs of slow growth, with noted contraction on the global manufacturing sector. Since 2008, the consensus has continued to grow among many that the use of the common currency in Europe, the Euro, has caused an increased number of European countries to experience a recession. This situation could threaten the entire European Union structure, and the events and actions in these markets could impact the United States economy.

Synovus does not have a direct exposure to the European markets; however, Synovus will continue to monitor the impact of international developments on domestic economic activity and determine the most appropriate strategies to pursue given the current economic uncertainties.

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Consolidated Financial Highlights

A summary of Synovus' financial performance for the nine and three months ended September 30, 2012 and 2011 is set forth in the table below.

| (dollars in thousands, except per share data) | Nine Months Ended September 30, | | | Three Months Ended September 30, | | |
|---|---------------------------------|------------|---------|----------------------------------|---------|---------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change |
| Net interest income | \$646,661 | 696,998 | (7.2)% | 212,345 | 228,603 | (7.1)% |
| Provision for loan losses | 173,843 | 364,230 | (52.3) | 63,572 | 102,325 | (37.9) |
| Non-interest income | 233,849 | 265,405 | (11.9) | 73,233 | 133,392 | (45.1) |
| Non-interest expense | 602,890 | 684,683 | (11.9) | 191,492 | 222,552 | (14.0) |
| Core expenses ⁽¹⁾ | 520,886 | 541,629 | (3.8) | 167,421 | 179,754 | (6.9) |
| Income (loss) before income taxes | 103,777 | (86,510) | nm | 30,514 | 37,118 | (17.8) |
| Pre-tax, pre-credit costs income ⁽¹⁾ | 328,715 | 356,104 | (7.7) | 111,501 | 119,368 | (6.6) |
| Net income (loss) available to controlling interest | 106,170 | (87,980) | nm | 30,725 | 30,208 | 1.7 |
| Net income (loss) available to common shareholders | 62,202 | (131,490) | nm | 16,030 | 15,667 | 2.3 |
| Earnings per common share: | | | | | | |
| Net income (loss) available to common shareholders, basic | 0.08 | (0.17) | nm | 0.02 | 0.02 | — |
| Net income (loss) available to common shareholders, diluted | \$0.07 | (0.17) | nm | 0.02 | 0.02 | — |

| (dollars in thousands, except per share data) | September 30, | June 30, 2012 | Sequential | September 30, | Year Over |
|---|---------------|---------------|------------|---------------|-------------|
| | 2012 | | Quarter | 2011 | Year Change |
| Loans, net of deferred fees and costs | \$ 19,731,865 | 19,680,127 | 0.3 % | 20,102,086 | (1.8)% |
| Total deposits | 20,846,830 | 21,565,065 | (3.3) | 23,109,427 | (9.8) |
| Core deposits ⁽¹⁾ | 19,926,871 | 20,416,173 | (2.4) | 20,951,796 | (4.9) |
| Core deposits excluding time deposits ⁽¹⁾ | 16,155,754 | 16,318,339 | (1.0) | 15,999,652 | 1.0 |
| Net interest margin | 3.51 | 3.48 | % 3 b.p.s | 3.47 | 4 b.p.s |
| Non-performing assets ratio | 4.51 | 4.83 | (32) | 5.71 | (120) |
| Past dues over 90 days | 0.05 | 0.03 | 2 | 0.13 | (8) |
| Net charge-off ratio | 1.97 | 1.99 | (2) | 2.72 | (75) |
| Tier 1 capital | \$2,835,950 | 2,822,487 | 0.5 % | 2,770,971 | 2.3 % |
| Tier 1 common equity | 1,872,003 | 1,861,135 | 0.6 | 1,817,168 | 3.0 |
| Total risk-based capital | 3,465,950 | 3,449,214 | 0.5 | 3,533,600 | (1.9) |
| Tier 1 capital ratio | 13.23 | 13.35 | 12 b.p.s | 12.97 | 26 b.p.s |
| Tier 1 common equity ratio | 8.73 | 8.80 | (7) | 8.50 | 23 |
| Total risk-based capital ratio | 16.16 | 16.31 | (14) | 16.53 | (36) |
| Total shareholders' equity to total assets ratio ⁽²⁾ | 11.16 | 10.85 | 31 | 10.01 | 115 |
| Tangible common equity to tangible assets ratio ⁽¹⁾ | 7.35 | 7.12 | 23 | 6.56 | 79 |
| Tangible common equity to risk-weighted assets ratio ⁽¹⁾ | 8.82 | 8.84 | (2) | 8.66 | 16 |

| | | | | | | |
|---|--------|------|-----|--------|-----|---|
| Tangible book value per common share ⁽¹⁾⁽³⁾⁽⁴⁾ | \$2.07 | 2.05 | 1.0 | % 2.03 | 2.0 | % |
|---|--------|------|-----|--------|-----|---|

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

(2) Total shareholders’ equity divided by total assets.

(3) Excludes the carrying value of goodwill and other intangible assets from common equity and total assets.

(4) Equity and common shares exclude impact of unexercised tangible equity units (tMEDS).

nm = not meaningful

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DISCUSSION OF RESULTS OF OPERATIONS

Results for the Nine and Three Months Ended September 30, 2012

For the nine months ended September 30, 2012, net income available to common shareholders was \$62.2 million, or \$0.07 per diluted common share, compared to a net loss available to common shareholders of \$131.5 million, or \$0.17 per common share, for the nine months ended September 30, 2011. For the three months ended September 30, 2012, net income available to common shareholders was \$16.0 million, or \$0.02 per diluted common share, as compared to a net income available to common shareholders of \$15.7 million, or \$0.02 per diluted common share, for the same period last year. For the nine and three months ended September 30, 2012 as compared to the same periods in the prior year, the improvements are primarily due to \$230.7 million and \$56.9 million declines in total credit costs, respectively, partially offset by \$33.8 million and \$56.2 million decreases in net investment securities gains, respectively. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Although credit costs, charge-offs, and non-performing asset levels remain elevated, overall credit metrics continued to improve during the third quarter of 2012. For the three months ended September 30, 2012, total credit costs were \$85.6 million, a 21.7% increase from the three months ended June 30, 2012. Provision for loan losses, the largest component of total credit costs, was \$63.6 million for the third quarter of 2012, a 43.8% increase from \$44.2 million in the second quarter of 2012, and a 37.9% decrease from \$102.3 million in the third quarter of 2011. The sequential quarter increase in provision for loans losses was primarily due to an impairment charge on an existing non-performing loan (collateral fair value update), a lower benefit from the update to the loan loss reserve factors, and to a lesser extent, an increase in retail charge-offs, and the overall growth in loans. Net charge-offs of \$96.5 million for the third quarter of 2012 decreased \$2.2 million compared to the second quarter of 2012 and decreased by \$41.9 million, or 30.3% from the third quarter of 2011. NPL inflows declined for the sixth consecutive quarter to \$114.8 million for the third quarter of 2012 compared to \$124.3 million for the second quarter of 2012 and \$222.0 million for the third quarter of 2011. Total non-performing assets declined \$62.0 million from \$961.4 million at June 30, 2012 to \$899.4 million at September 30, 2012, and declined \$265.0 million or 22.8% from \$1.16 billion at September 30, 2011. As a percentage of total loans outstanding, past due loans remained at favorable levels with total past due loans and still accruing interest of 0.55% at September 30, 2012 compared to 0.47% and 0.99% at June 30, 2012 and September 30, 2011, respectively, and loans 90 days past due and still accruing interest of 0.05% at September 30, 2012 compared to 0.03% and 0.13% at June 30, 2012 and September 30, 2011, respectively.

For the nine and three months ended September 30, 2012 and 2011, the majority of both the provision for loan losses and net charge-offs related to commercial real estate credits. Provision for loan losses attributable to the commercial real estate portfolio (excluding the unallocated allowance for loan losses component) was \$104.5 million, or 60.1% of the total provision for loan losses, for the first nine months of 2012, while net charge-offs attributable to this portfolio were \$153.0 million, or 52.8% of total net charge-offs for the nine months ended September 30, 2012. Provision for loan losses attributable to the commercial real estate portfolio was \$269.6 million, or 74.0% of the total provision for loan losses, for the first nine months of 2011, while net charge-offs attributable to this portfolio were \$306.5 million, or 64.9% of total net charge-offs for the nine months ended September 30, 2011. Provision for loan losses attributable to the commercial and industrial portfolio was \$57.4 million, or 33.0%, of the total provision for loan losses (excluding the unallocated allowance for loan losses component) for the first nine months of 2012, while net charge-offs attributable to this portfolio were \$102.4 million, or 35.3% of total net charge-offs for the nine months ended September 30, 2012. Provision for loan losses attributable to the commercial and industrial portfolio was \$76.0 million, or 20.9%, of total provision for loan losses, during the first nine months of 2011, while net charge-offs attributable to this portfolio were \$111.5 million, or 23.6%, of total net charge-offs for the nine months ended September 30, 2011.

Pre-tax, pre-credit costs income (which excludes provision for loan losses, other credit costs, restructuring charges, Visa indemnification charges, and investment securities gains, net) exceeded credit costs for the fourth consecutive quarter and was \$111.5 million for the third quarter of 2012, representing a increase of \$4.9 million, or 4.6%, from the second quarter of 2012 and a decrease of \$7.9 million, or 6.6%, from the third quarter of 2011. As compared to the second quarter of 2012, the increase in pre-tax, pre-credit costs income was driven by an \$11.6 million decrease in core expenses, partially offset by a \$1.0 million decrease in net interest income and a \$5.7 million decrease in

non-interest income, excluding investment securities gains, net. The decline from the third quarter of 2011 was driven by a \$16.3 million decrease in net interest income and a \$3.9 million decrease in non-interest income, excluding investment securities gains, net, partially offset by a \$12.3 million decrease in core expenses. See reconciliation of "Non-GAAP Financial Measures" in this Report.

The net interest margin increased 3 b.p.s to 3.51% in the third quarter of 2012 compared to 3.48% for the second quarter of 2012 and increased 4 b.p.s from 3.47% in the third quarter of 2011. The sequential quarter increase was driven by an 8 b.p.s decline in the effective cost of funds. The effective cost of funds was positively impacted by the downward repricing of core certificates of deposit and core money market accounts, each of which declined by 12 b.p.s and 9 b.p.s, respectively on a sequential quarter basis. Earning asset yields during the third quarter of 2012 decreased 19 b.p.s compared to the third quarter of 2011, and the effective cost of funds decreased 23 b.p.s as economic uncertainty has resulted in a sustained period of low interest rates.

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Total loans were \$19.73 billion at September 30, 2012, an increase of \$51.7 million from June 30, 2012. The increase in loans was primarily driven by growth within the corporate banking group. The net sequential quarter loan growth, excluding the impact of transfers to loans held-for-sale, charge-offs, and foreclosures, was approximately \$240 million for the third quarter of 2012, compared to an increase of approximately \$29 million during the second quarter of 2012, and a decrease of approximately \$132 million during the third quarter of 2011. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Total deposits decreased by \$718.2 million from the second quarter of 2012. The decline in total deposits was driven primarily by the continued planned reduction of brokered deposits and time deposits, as well as a planned strategic reduction in a large demand deposit clearing account. Core deposits excluding time deposits were \$16.16 billion at September 30, 2012, down \$162.6 million compared to June 30, 2012. Compared to September 30, 2011, core deposits excluding time deposits increased \$156.1 million or 1.0%. See reconciliation of "Non-GAAP Financial Measures" in this Report.

Total shareholder's equity was \$2.88 billion at September 30, 2012 compared to \$2.83 billion at December 31, 2011. Synovus continues to actively monitor evolving industry capital standards and changes in regulatory standards and requirements. As part of its ongoing management of capital, Synovus will continue to monitor its capital position and identify, consider, and pursue additional strategies to bolster its capital position as deemed necessary.

Changes in Financial Condition

During the nine months ended September 30, 2012, total assets decreased by \$1.40 billion, or 5.1%, from December 31, 2011 to \$25.76 billion. The principal components of this decrease were a decrease of \$751.9 million in interest bearing funds at the Federal Reserve Bank, a \$460.7 million decrease in investment securities available for sale, and a \$231.9 million decrease in loans, net of deferred fees and costs and the allowance for loan losses. These decreases were partially offset by an increase in mortgage loans held for sale of \$84.7 million or 52.5% due to increased mortgage loan production. The decrease in interest bearing funds with the Federal Reserve Bank is primarily due to decreases in deposits. The decrease in investment securities is due to sales and the decision to utilize a portion of security maturities to reduce wholesale funding, including brokered deposits. The decrease in net loans is primarily due to charge-offs, sales of distressed loans, and principal reductions/pay offs.

Other Loans Held for Sale

During the nine months ended September 30, 2012, Synovus transferred loans with a carrying value immediately preceding the transfer totaling \$353.1 million to other loans held for sale. Synovus recognized charge-offs upon transfer of these loans totaling \$97.0 million which resulted in a new cost basis of \$256.1 million and were based on the estimated fair value, less estimated costs to sell, of the loans at the time it was determined that the respective specific loans would be sold.

During the nine months ended September 30, 2011, Synovus transferred loans with a carrying value immediately preceding the transfer totaling \$567.6 million to other loans held for sale. Synovus recognized charge-offs upon transfer on these loans totaling \$159.9 million for the nine months ended September 30, 2011. These charge-offs which resulted in a new cost basis of \$407.7 million for the loans transferred during the nine months ended September 30, 2011 were based on the estimated fair value, less estimated costs to sell, of the loans at the time it was determined that the respective specific loans would be sold.

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Loans

The following table compares the composition of the loan portfolio at September 30, 2012, December 31, 2011, and September 30, 2011.

| (dollars in thousands) | September 30, 2012 | December 31, 2011 | September 30, 2012 vs. December 31, 2011 % Change ⁽¹⁾ | September 30, 2011 | September 30, 2012 vs. September 30, 2011 % Change |
|--|-----------------------|----------------------|---|-----------------------|---|
| Investment properties | \$4,390,897 | 4,557,313 | (4.9) | \$4,596,509 | (4.5) |
| 1-4 family properties | 1,427,250 | 1,618,484 | (15.8) | 1,726,391 | (17.3) |
| Land acquisition | 909,420 | 1,094,821 | (22.6) | 1,119,947 | (18.8) |
| Total commercial real estate | 6,727,567 | 7,270,618 | (10.0) | 7,442,847 | (9.6) |
| Commercial and industrial | 9,052,692 | 8,941,274 | 1.7 | 8,812,545 | 2.7 |
| Home equity lines | 1,572,986 | 1,619,585 | (3.8) | 1,612,798 | (2.5) |
| Consumer mortgages | 1,399,432 | 1,411,749 | (1.2) | 1,426,024 | (1.9) |
| Credit cards | 257,922 | 273,098 | (7.4) | 267,810 | (3.7) |
| Small business | 444,783 | 300,332 | 64.2 | 270,546 | 64.4 |
| Other retail loans | 293,536 | 275,143 | 8.9 | 279,560 | 5.0 |
| Total retail | 3,968,659 | 3,879,907 | 3.1 | 3,856,738 | 2.9 |
| Total loans | 19,748,918 | 20,091,799 | (2.3) | 20,112,130 | (1.8) |
| Deferred fees and costs, net | (17,053) | (11,986) | 56.5 | (10,044) | 69.8 |
| Total loans, net of deferred fees and costs | \$19,731,865 | 20,079,813 | (2.3) | \$20,102,086 | (1.8) |

⁽¹⁾ Percentage changes are annualized

At September 30, 2012, total loans outstanding were \$19.73 billion, a sequential quarter increase of \$51.7 million, or 1.0% annualized. The sequential quarter increase was driven by a \$168.1 million or 7.5% annualized increase in C&I loans and a \$44.1 million or 4.5% annualized increase in retail loans, offset by a \$156.7 million or 9.1% annualized decrease in CRE loans. Excluding the impact of charge-offs, foreclosures, and transfers to loans held for sale, total loans increased by approximately \$240 million during the third quarter of 2012, compared to a sequential quarter increase of approximately \$29 million during the second quarter of 2012, and a sequential quarter decline of approximately \$132 million during the third quarter of 2011. Additionally, the loan portfolio mix has continued to improve and shift towards loans with lower credit risk; commercial and industrial and retail loans combined are now above our target goal of 65% and represent 66% of total loans as of September 30, 2012, compared to 64% as of December 31, 2011, 63% as of September 30, 2011, and 55% in the first quarter of 2007 when CRE loans were at a peak of 45% of the loan portfolio.

Commercial Loans

Total commercial loans (which are comprised of C&I and CRE loans) at September 30, 2012 were \$15.78 billion or 79.9% of the total loan portfolio compared to \$16.21 billion or 80.7% at December 31, 2011 and \$16.26 billion or 80.9% at September 30, 2011. The commercial and industrial loan portfolio represents the largest component of Synovus' total loan portfolio.

At September 30, 2012, June 30, 2012, and December 31, 2011, Synovus had 19, 21, and 26 commercial loan relationships, respectively, with total commitments of \$50 million or more (including amounts funded). The average funded balance of these relationships at September 30, 2012, June 30, 2012, and December 31, 2011 was approximately \$69 million, \$67 million, and \$67 million, respectively.

Commercial and Industrial Loans

Total commercial and industrial loans at September 30, 2012 were \$9.05 billion, or 45.9% of the total loan portfolio compared to \$8.94 billion, or 44.5% of the total loan portfolio at December 31, 2011 and \$8.81 billion, or 43.8% of the total loan portfolio at September 30, 2011. This 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 portfolio is relationship focused and, as a result, Synovus' lenders have in-depth knowledge of the borrowers, most of which have guaranty arrangements. Commercial and industrial 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. In accordance with Synovus' uniform lending policy, each loan undergoes a detailed underwriting process which incorporates uniform underwriting standards and oversight in proportion to the size and complexity of the lending relationship. Approximately 93% of Synovus' commercial and industrial loans are secured by real estate, business equipment, inventory, and other types of collateral.

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At September 30, 2012, \$3.88 billion of the total commercial and industrial loans, or 19.7% of the total loan portfolio, represented loans for the purpose of financing owner-occupied properties. The primary source of repayment on these loans is revenue generated from products or services offered by the business or organization. The secondary source of repayment on these loans is the real estate. These loans are predominately secured by owner-occupied properties 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.

Commercial and industrial lending is a key component of Synovus' growth strategy. 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. In 2011, Synovus formed a senior housing group to focus on building relationships in the commercial banking segment that include Alzheimer's, convalescent, and assisted-living care facilities, as well as nursing homes. In addition, Synovus has expanded its treasury management group and corporate banking initiative as part of an overall commercial banking strategy to provide lending solutions and to connect more commercial banking customers with Synovus' full suite of specialized commercial banking products and services that include private banking, treasury management, asset-based lending, insurance, and wealth management in an effort to strengthen, diversify, and drive growth in Synovus' commercial and industrial loan portfolio. Corporate banking (which consists of loan syndications, senior housing and other corporate business lines) had total loans outstanding (net of existing loans transferred into these business lines) of \$1.01 billion at September 30, 2012, and grew approximately \$222 million and \$553 million from June 30, 2012 and September 30, 2011, respectively.

Commercial Real Estate Loans

Commercial real estate loans consist of investment properties loans, 1-4 family properties loans, and land acquisition loans. Commercial real estate loans are primarily originated through Synovus' local market banking divisions. These loans are subject to the same uniform lending policies referenced above. Total commercial real estate loans, which represent 34.0% of the total loan portfolio at September 30, 2012, were \$6.73 billion, a decline of \$543.1 million or 10.0% annualized from December 31, 2011 primarily as a result of loan sales and charge-offs, and a decline of \$715.3 million or 9.6% from September 30, 2011.

Investment Properties Loans

Total investment properties loans as of September 30, 2012 were \$4.39 billion, or 65.3% of the total commercial real estate portfolio and 22.2% of the total loan portfolio, compared to \$4.56 billion or 62.7% of the total commercial real estate portfolio, and 22.7% of the total loan portfolio at December 31, 2011. Investment properties loans consist of construction and mortgage loans for income producing properties and are primarily made to finance multi-family properties, hotels, office buildings, shopping centers, warehouses, and other commercial development properties. Synovus' investment properties portfolio is well diversified with no concentration by property type, geography (other than the fact that most of these loans are in Synovus' primary market areas of Georgia, Alabama, Tennessee, South Carolina, and Florida), or tenants. These loans have been underwritten with stressed interest rates and vacancies and are generally recourse in nature with short-term maturities (three years or less) allowing for restructuring opportunities that reduce Synovus' overall risk exposure. The investment properties 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. Synovus completes semi-annual reviews of all investment properties loans of \$1 million or more in order to more closely monitor the performance of the portfolio.

1-4 Family Properties Loans

At September 30, 2012, 1-4 family properties loans totaled \$1.43 billion, or 21.2% of the total commercial real estate portfolio and 7.2% of the total loan portfolio, compared to \$1.62 billion, or 22.3% of the total commercial real estate portfolio and 8.1% of the total loan portfolio at December 31, 2011. 1-4 family properties loans include construction loans to homebuilders, commercial mortgage loans to real estate investors, and residential development loans to developers and are almost always secured by the underlying property being financed by such loans. These properties are primarily located in the markets served by Synovus. Underwriting standards for these types of loans include stricter approval requirements as well as more stringent underwriting standards than current regulatory guidelines. Construction and residential development loans are generally interest-only loans and typically have maturities of three

years or less, and 1-4 family rental properties generally have maturities of three to five years, with amortization periods of up to fifteen to twenty years.

Total residential C&D loans (consisting of 1-4 family construction loans and residential development loans) were \$520.5 million at September 30, 2012, a decline of 25.2% annualized from December 31, 2011 and a decline of 26.3% from September 30, 2011. The decline was primarily driven by charge-offs and sales of distressed loans; additionally, Synovus is not actively seeking to originate these types of loans.

Land Acquisition Loans

Total land acquisition loans were \$909.4 million at September 30, 2012, or 4.6% of the total loan portfolio, a decline of 22.6% annualized from December 31, 2011, primarily as a result of loan sales and charge-offs, and a decline of 18.8% from September 30, 2011. Land acquisition loans are secured by land held for future development, typically in excess of one year. These loans have

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short-term maturities and are typically unamortized. Land securing these loans is substantially within the Synovus footprint, and loan terms generally include personal guarantees from the principals. Loans in this portfolio are underwritten based on the loan to value of the collateral and the capacity of the guarantor(s). Generally, the maximum loan-to-value at the time of origination or refinancing is aligned with regulatory requirements.

The table below presents total residential C&D and land acquisition loans at September 30, 2012 and December 31, 2011.

| Total Residential C&D and Land Acquisition Loans (dollars in thousands) | September 30, 2012 | | December 31, 2011 | | |
|--|--------------------|---------|-------------------|---------|---|
| | Amount | Percent | Amount | Percent | |
| Georgia ⁽¹⁾ | \$793,279 | 55.5 | % \$931,140 | 53.6 | % |
| Florida | 204,121 | 14.3 | 221,112 | 12.7 | |
| South Carolina | 226,314 | 15.8 | 319,573 | 18.4 | |
| Tennessee | 28,402 | 2.0 | 26,987 | 1.6 | |
| Alabama | 177,810 | 12.4 | 237,940 | 13.7 | |
| Total | \$1,429,926 | 100.0 | % \$1,736,752 | 100.0 | % |

⁽¹⁾ Atlanta represents \$320.3 million or 22.4% at September 30, 2012 and \$397.5 or 22.9% at December 31, 2011.

Retail Loans

Retail loans at September 30, 2012 totaled \$3.97 billion, representing 20.1% of the total loan portfolio compared to \$3.88 billion, or 19.3% of the total loan portfolio at December 31, 2011 and \$3.86 billion or 19.2% of the total loan portfolio at September 30, 2011. Total retail loans increased at an annualized rate of 3.1% compared to December 31, 2011 and increased by 2.9% compared to September 30, 2011. Small business loans at September 30, 2012 totaled \$444.8 million, an increase of \$144.5 million or 64.2% annualized and \$174.2 million or 64.4% compared to December 31, 2011 and September 30, 2011, respectively. The increase in small business loans is partially due to a reclassification of loans which are now underwritten using a business credit scoring system and thus is reported as small business loans as a component of retail loans. During the nine months ended September 30, 2012 \$39.2 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 they will be classified as small business loans as a component of retail loans.

The retail loan portfolio consists of a wide variety of loan products offered through Synovus' banking network, including first and second residential mortgages, HELOCs, credit card, automobile, small business, and other retail loans. The majority of Synovus' retail loans are consumer mortgages and home equity lines secured by first and second liens on residential real estate primarily located in the markets served by Synovus in Georgia, Florida, South Carolina, Alabama, and Tennessee. Credit card loans totaled \$257.9 million at September 30, 2012, including \$68.9 million of commercial credit card loans. These commercial credit card loans relate to Synovus' commercial and small business customers who utilize corporate credit cards for various business activities. Retail loans are subject to uniform lending policies and consist primarily of loans with strong borrower credit scores (most recently measured in the third quarter of 2012 as of June 30, 2012). Weighted-average FICO scores within the residential real estate portfolio were 757 for HELOC and 736 for consumer mortgages as of June 30, 2012 compared to 758 for HELOC and 744 for consumer mortgages as of June 30, 2011. Conservative debt-to-income ratios (average debt to income ratio of loans originated) were maintained in the third quarter of 2012 at 27.5%, as compared to 29.6% in the third quarter of 2011. Utilization rates (total amount outstanding as a percentage of total available lines) of 61.8% and 61.5% at September 30, 2012 and 2011, respectively, and loan-to-value ratios based upon prudent guidelines were used 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.

Risk levels 1-6 (descending) are assigned based upon a dual risk score matrix. At least annually, the retail loan portfolio data is sent to a consumer credit reporting agency for a refresh of customers' credit scores. The most recent credit score refresh was completed in the third quarter of 2012 as of June 30, 2012. Revolving lines of credit are regularly reviewed for any material change in financial circumstances, and when appropriate, the line of credit may be suspended.

Sub-prime loans are not a part of Synovus' retail lending strategy, and Synovus does not currently develop or offer specific sub-prime, alt-A, no documentation or stated income retail residential real estate loan products. Synovus estimates that, as of September 30, 2012, it has approximately \$146 million of retail residential real estate loans (4.9% of the retail portfolio and 0.7%

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of the total loan portfolio) that could be considered sub-prime. Synovus makes retail residential real estate lending decisions based upon a number of key credit risk determinants including credit scores, bankruptcy predictor scores, loan-to-value ratios, and debt-to-income ratios. Through its mortgage banking subsidiary, Synovus previously originated Fannie Mae alt-A loans which were generally sold into the secondary market. Synovus no longer originates such loans and as of September 30, 2012 has \$1.2 million of such loans remaining on its balance sheet.

Prior to July 2009, Synovus' loan policy did not specifically prohibit the origination of no documentation or stated income loans as long as such loans were supported by other risk mitigating criteria including, but not limited to, an established banking relationship history, significant cash on deposit, and/or compensating loan-to-value or debt-to-income ratios. Since July 2009, Synovus has continued to refine its retail residential real estate origination policy, and no non-government sponsored limited documentation or stated income loans are permitted to be made unless an exception is granted, and only if supplemented by the mitigating criteria previously noted. While Synovus does not currently offer specific no documentation or stated income retail residential real estate loan products, loans with these characteristics could have been issued under the previous loan policy or as an exception under the current loan policy, primarily to individuals with existing banking relationships. Synovus does not believe it has originated a significant dollar amount of such loans and does not believe that extending such loans has had a significant negative impact on the credit quality of the portfolio.

Monitoring of Collateral

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 generally 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 values of collateral that are in the form of accounts receivable, inventory, equipment, and cash surrender value of life insurance policies at least annually and the values of collateral that are in the form of marketable securities and brokerage accounts at least quarterly.

For credits that are not on impaired status, Synovus generally obtains a 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 a third party 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 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, or 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.

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% or more of the borrowing entity. Limited guarantees on a pro rata basis are generally required for all 20% 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, and 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, because of the current economic environment, and based on the fact that a majority of Synovus' problem credits are commercial real estate credits, Synovus' success in recovering amounts due under guarantees has been

limited.

Other Real Estate

The carrying value of ORE was \$189.2 million, \$204.2 million, and \$239.3 million at September 30, 2012, December 31, 2011, and September 30, 2011, respectively. As of September 30, 2012, the ORE carrying value reflects cumulative write-downs totaling approximately \$231 million, or 55% of the related loans' unpaid principal balance. During the nine months ended September 30, 2012 and 2011, \$122.1 million and \$190.4 million, respectively, of loans and other loans held for sale were foreclosed and transferred to other real estate at fair value. During the nine months ended September 30, 2012 and 2011, Synovus recognized

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foreclosed real estate expense, net, of \$55.7 million and \$101.7 million, respectively. These expenses included write-downs for declines in fair value of ORE subsequent to the date of foreclosure and net realized losses resulting from sales transactions totaling \$42.7 million and \$87.8 million for the nine months ended September 30, 2012 and 2011, respectively.

ORE is reported at the lower of cost or fair value less estimated selling costs determined on the basis of current appraisals as well as the re-evaluation of fair value performed on a quarterly basis, including review of comparable sales and other estimates of fair value obtained principally from independent sources, changes in absorption rates or market conditions from the time of the latest appraisal received or previous re-evaluation performed, and anticipated sales values considering management's plans for disposition.

Synovus' objective is to dispose of ORE properties in a timely manner and to maximize net sale proceeds. Synovus has a centralized managed assets division, with the specialized skill set to facilitate this objective. While there is not a defined timeline for their sale, ORE properties are actively marketed through unaffiliated third parties, including real estate brokers and real estate auctioneers. Sales are made on an opportunistic basis, as acceptable buyers and terms are identified. In addition, Synovus may also decide to sell ORE properties in bulk asset sales to unaffiliated third parties, in which case the typical period of marketing the property will likely not occur. In some cases, Synovus is approached by potential buyers of ORE properties or Synovus may contact independent third parties who we believe might have an interest in an ORE property.

Goodwill

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. Goodwill is reviewed for impairment annually as of June 30th of each year and at interim periods if indicators of impairment exist. At September 30, 2012 and June 30, 2012, the carrying value of goodwill was \$24.4 million, consisting of goodwill associated with two financial management services reporting units; \$19.9 million of the goodwill is attributable to a reporting unit that is a provider of investment advisory services. The remaining goodwill of \$4.5 million is attributable to the trust services reporting unit.

For our annual goodwill impairment test, a third party valuation was obtained on the investment advisory services reporting unit, which accounts for approximately 82% of the recorded goodwill. The fair value of this reporting unit was determined by equally weighting the income approach (50%) and market approach (50%) to assess goodwill for potential impairment at June 30, 2012. The income approach utilized a discounted cash flow method, which focuses on the expected future cash flow of the subject business. The market approach measures values based on what other purchasers in the market have paid for assets that can be considered reasonably similar to those being valued. The first step (Step 1) of impairment testing requires a comparison of each reporting unit's fair value to the carrying value to identify potential impairment. At June 30, 2012, we completed the most recent annual goodwill impairment evaluation. The result of the Step 1 process indicated that goodwill at the investment advisory services reporting unit was not impaired, as the estimated fair value of the reporting unit exceeded the respective carrying value; therefore, no further testing was required. The estimated fair value of this reporting unit was \$23.9 million, which exceeded the carrying value of \$22.5 million by \$1.4 million, or 6%. The key assumptions that drove the fair value of this reporting unit under the income approach included projected revenue growth, projected EBITDA margin, projected growth in assets under management and assets under supervision, and the discount rate. The market approach determined the fair value of this reporting unit using comparisons of the reporting unit to publicly-traded companies with similar operations. Under this method, valuation multiples were: (i) derived from operating data of the selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of the reporting unit relative to the selected guideline companies; and (iii) applied to the operating data of the reporting unit to arrive at an indication of value.

Changes in the aforementioned assumptions, including a lower rate of revenue growth than expected, a lower than projected EBITDA margin improvement, and lower market multiples could have a negative effect on the fair value of this reporting unit, which in turn could result in an impairment charge to goodwill in future periods.

Step 1 of impairment testing was also completed for the trust services reporting unit. The Step 1 test concluded that the trust services reporting unit was not impaired, as the estimate of fair value of the reporting unit exceeded the respective carrying value; therefore, no further testing was required. The key assumptions that drove the estimate of fair value of this reporting unit were peer price to earnings multiples, tangible book value to earnings ratio, book value earnings multiple, and the related control premium. The fair value of this reporting unit was determined by equally weighting the income approach (50%) and market approach (50%) to assess goodwill for potential impairment at June 30, 2012. The excess of the estimated fair value over carrying value at June 30, 2012 was \$49.7 million, or approximately 110% of carrying value.

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Deposits

Deposits provide the most significant funding source for interest earning assets. The following table shows the relative composition of deposits for the last five quarters.

Composition of Deposits

| (dollars in thousands) | September 30, 2012 | June 30, 2012 | March 31, 2012 | December 31, 2011 | September 30, 2011 |
|--|-----------------------|---------------|-------------------|----------------------|-----------------------|
| Non-interest bearing demand deposits | \$5,503,288 | 5,607,680 | 5,535,844 | 5,366,868 | 5,249,335 |
| Interest bearing demand deposits | 3,442,746 | 3,379,220 | 3,564,409 | 3,613,060 | 3,474,852 |
| Money market accounts, excluding brokered deposits | 6,650,919 | 6,777,229 | 6,770,924 | 6,542,448 | 6,753,138 |
| Savings deposits | 558,801 | 554,210 | 557,524 | 515,038 | 522,327 |
| Time deposits, excluding brokered deposits | 3,771,117 | 4,097,834 | 4,302,292 | 4,591,164 | 4,952,144 |
| Brokered deposits | 919,959 | 1,148,892 | 1,406,709 | 1,783,174 | 2,157,631 |
| Total deposits | 20,846,830 | 21,565,065 | 22,137,702 | 22,411,752 | 23,109,427 |
| Core deposits ⁽¹⁾ | 19,926,871 | 20,416,173 | 20,730,993 | 20,628,578 | 20,951,796 |
| Core deposits excluding time deposits ⁽¹⁾ | \$16,155,754 | 16,318,339 | 16,428,701 | 16,037,414 | 15,999,652 |

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

Total deposits at September 30, 2012 decreased \$718.2 million, or 13.2% annualized, from June 30, 2012 and \$1.56 billion, or 9.3% annualized, from December 31, 2011. The decline in total deposits was driven primarily by the continued planned reduction of higher-cost brokered deposits and time deposits. Total core deposits excluding time deposits at September 30, 2012 declined \$162.6 million, or 4.0% annualized, from June 30, 2012 and grew \$118.3 million, or 1.0% annualized, from December 31, 2011. The sequential quarter decrease in core deposits excluding time deposits was primarily due to a \$212 million decrease from a planned strategic reduction in a large demand deposit clearing account. The planned strategic reduction in this clearing account was completed during the fourth quarter of 2012 with an additional reduction of approximately \$174 million. Non-interest bearing demand deposits as a percentage of total deposits increased to 26.4% at September 30, 2012, from 26.0% at June 30, 2012 and 23.9% at December 31, 2011. See reconciliation of “Non-GAAP Financial Measures” in this Report.

Time deposits of \$100,000 and greater at September 30, 2012, June 30, 2012, and December 31, 2011 were \$2.82 billion, \$3.20 billion, and \$4.14 billion respectively, and included brokered time deposits of \$742.7 million, \$926.2 million, and \$1.56 billion, respectively. These larger deposits represented 13.5%, 14.8%, and 18.5% of total deposits at September 30, 2012, June 30, 2012, and December 31, 2011, respectively, and included brokered time deposits which represented 3.6%, 4.3%, and 7.0% of total deposits at September 30, 2012, June 30, 2012, and December 31, 2011, respectively.

At September 30, 2012, brokered deposits represented 4.4% of total deposits compared to 5.3% and 8.0% of total deposits at June 30, 2012 and December 31, 2011, respectively.

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Net Interest Income

The following table summarizes the components of net interest income for the nine and three months ended September 30, 2012 and 2011, including the tax-equivalent adjustment that is required in making yields on tax-exempt loans and investment securities comparable to taxable loans and investment securities. The taxable-equivalent adjustment is based on a 35% Federal income tax rate.

| Net Interest Income (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|---------------------------------|---------|----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Interest income | \$764,140 | 868,453 | 247,676 | 281,970 |
| Taxable-equivalent adjustment | 2,340 | 2,737 | 761 | 880 |
| Interest income, taxable equivalent | 766,480 | 871,190 | 248,437 | 282,850 |
| Interest expense | 117,479 | 171,455 | 35,331 | 53,367 |
| Net interest income, taxable equivalent | \$649,001 | 699,735 | 213,106 | 229,483 |

Non-interest Income

Total non-interest income for the nine and three months ended September 30, 2012 was \$233.8 million and \$73.2 million, respectively, down 11.9% and 45.1%, respectively, from the same periods in 2011. The decrease from 2011 was primarily due to a decline in net investment securities gains of \$33.8 million and \$56.2 million for the nine and three months ended September 30, 2012 compared to the same periods in 2011.

New fee income initiatives contributed approximately \$3.6 million in additional net core banking fees during the three months ended September 30, 2012 and approximately \$5.6 million for the nine months ended September 30, 2012.

Future additional rulemaking or further regulatory changes could impact Synovus' ability to execute new strategies.

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

| Non-interest Income (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|--|---------------------------------|---------|----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Service charges on deposit accounts | \$57,319 | 59,595 | 20,404 | 20,039 |
| Fiduciary and asset management fees | 31,966 | 35,046 | 10,340 | 11,631 |
| Brokerage revenue | 19,786 | 19,067 | 6,844 | 6,556 |
| Mortgage banking income | 23,247 | 15,469 | 9,261 | 7,427 |
| Bankcard fees | 23,938 | 34,344 | 7,866 | 11,562 |
| Investment securities gains, net | 30,909 | 64,670 | 6,656 | 62,873 |
| Other fee income | 14,927 | 15,643 | 5,276 | 5,423 |
| Increase (decrease) in fair value of private equity investments, net | 6,428 | (941) | (944) | (771) |
| Other non-interest income | 25,329 | 22,512 | 7,530 | 8,652 |
| Total non-interest income | \$233,849 | 265,405 | 73,233 | 133,392 |

Principal Components of Non-interest Income

Service charges on deposit accounts for the nine and three months ended September 30, 2012 were \$57.3 million, and \$20.4 million, respectively, down 3.8% and up 1.8%, respectively, from the same periods in 2011. Service charges on deposit accounts consist of NSF fees, account analysis fees, and all other service charges. NSF fees for the nine and three months ended September 30, 2012 were \$27.9 million and \$9.6 million, a decrease of \$2.1 million, or 6.9%, and \$706 thousand, or 6.9%, respectively, from the same periods in 2011. This decrease was due to the continued impact of regulatory changes implemented in 2010 and 2011 as discussed below, as well as a decline in volume. Account analysis fees were \$15.2 million and \$5.2 million for the nine and three months ended September 30, 2012, respectively, down \$1.7 million, or 9.9%, and \$222 thousand, or 4.1%, respectively, compared to the same periods in 2011. All other service charges on deposit accounts, which consist primarily of monthly fees on retail demand deposit and saving accounts, were \$14.2 million and \$5.7 million for the nine and three months ended September 30, 2012,

respectively, up \$1.5 million, or 11.4%, and \$1.3 million, or 29.5%, respectively, compared to 2011.

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Fiduciary and asset management fees are derived from providing estate administration, employee benefit plan administration, personal trust, corporate trust, corporate bond, investment management and financial planning services. Fiduciary and asset management fees were \$32.0 million and \$10.3 million for the nine and three months ended September 30, 2012, respectively, down \$3.1 million, or 8.8%, and down \$1.3 million, or 11.1%, respectively, from the same periods in 2011 due primarily to declines in fees for trust services.

Brokerage revenue was \$19.8 million and \$6.8 million in the nine and three months ended September 30, 2012, respectively. Brokerage revenue increased \$719 thousand or 3.8% for the nine months ended September 30, 2012 and increased \$288 thousand or 4.4% compared to the same periods in 2011. Brokerage revenue consists primarily of brokerage commissions.

Mortgage banking income increased \$7.8 million, or 50.3%, and \$1.8 million, or 24.7% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011. Mortgage production volume was \$1.08 billion and \$456.8 million for the nine and three months ended September 30, 2012, respectively, an increase of \$255.2 million, or 30.8%, and \$132.6 million, or 40.9%, respectively, compared to the same periods in 2011.

Bankcard fees decreased \$10.4 million, or 30.3%, and \$3.7 million, or 32.0% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011. Bankcard fees consist primarily of credit card interchange fees and debit card interchange fees. Debit card interchange fees were \$8.6 million, down 57.4%, and \$3.1 million, down 54.9% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011. The declines were primarily due to the October 1, 2011 adoption of the Durbin Amendment discussed below. Credit card interchange fees were \$15.4 million, up 5.5%, and \$5.2 million, up 4.6% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011 primarily due to an increase in transaction volume.

Other fee income includes fees for letters of credit, safe deposit box fees, access fees for automated teller machine use, customer swap dealer fees, and other miscellaneous fee-related income. Other fee income decreased \$716 thousand, or 4.6%, and decreased \$147 thousand, or 2.7% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011.

The main components of other non-interest income are income from company-owned life insurance policies, insurance commissions, card sponsorship fees, and other miscellaneous items. Other non-interest income increased \$2.8 million, or 12.5%, and decreased \$1.1 million, or 13.0% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011.

Impact from Regulatory Reform on Fee Income

During 2010 and 2011, regulations that reduce NSF fees and debit card interchange fee income became effective. On August 1, 2010, Regulation E became effective. This regulation limits the ability of a financial institution to assess an overdraft fee for paying automated teller machine and debit card transactions that overdraws a customer's account unless the customer affirmatively consents, or opts-in, to the institution's payment of overdrafts for these transactions. Also, on January 19, 2011, Synovus implemented certain processing changes as required by regulatory guidance that resulted in a decrease in NSF fees.

On October 1, 2011, certain provisions of the Dodd-Frank Act became effective. These provisions, commonly referred to as the "Durbin Amendment," amended the Electronic Fund Transfer Act and required the Board of Governors of the Federal Reserve System to develop rules that implement, among other things, interchange fee restrictions on debit card transactions. Synovus anticipates a reduction of approximately \$17 million in debit card interchange fee revenue resulting from these provisions in 2012 (or a reduction of approximately \$13 million compared to 2011 revenue). The 2012 projected impact of approximately \$13 million is before expense savings related to changes in the debit card program which were implemented during the first quarter of 2012. Additionally, growth in debit card transactions is expected to partially offset the estimated impact of the regulation on debit card interchange fee revenue.

Non-interest Expense

Non-interest expense for the nine and three months ended September 30, 2012 decreased by \$81.8 million, or 11.9%, and \$31.1 million, or 14.0%, respectively, from the same periods in 2011. The decline was led by significant declines in foreclosed real estate expenses and restructurings costs. See Note 3 "Restructuring Charges" for more information

on restructuring costs incurred in early 2011 related to efficiency initiatives. Core expenses for the nine and three months ended September 30, 2012, which exclude restructuring charges, credit costs, Visa indemnification charges, and a loss from curtailment of a post-retirement defined benefit plan, declined \$19.9 million, or 3.7%, and declined \$12.3 million, or 6.9%, respectively, from the same periods in 2011. Synovus continues to focus on increasing efficiencies while investing in new technologies and in key talent. See "Non-GAAP Financial Measures" for applicable reconciliation.

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The following table summarizes the components of non-interest expense for the nine and three months ended September 30, 2012 and 2011

Non-interest Expense

| (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|--|---------------------------------|---------|----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Salaries and other personnel expense | \$280,972 | 278,431 | 93,177 | 93,184 |
| Net occupancy and equipment expense | 79,512 | 86,698 | 26,647 | 27,981 |
| FDIC insurance and other regulatory fees | 37,171 | 45,826 | 9,205 | 15,463 |
| Foreclosed real estate expense, net | 55,677 | 101,716 | 11,997 | 37,108 |
| Losses (gains) on other loans held for sale, net | 4,005 | (2,591) | 4,104 | (846) |
| Professional fees | 29,270 | 30,264 | 10,074 | 10,135 |
| Data processing expense | 25,020 | 27,225 | 8,284 | 9,024 |
| Visa indemnification charges | 5,546 | 96 | 833 | — |
| Restructuring charges | 3,444 | 30,026 | 1,192 | 2,587 |
| Other operating expenses | 82,273 | 86,992 | 25,979 | 27,916 |
| Total non-interest expense | \$602,890 | 684,683 | 191,492 | 222,552 |

Total employees were 5,037 at September 30, 2012, down 248, or 4.7%, from 5,285 employees at September 30, 2011.

Net occupancy and equipment expense declined \$7.2 million, or 8.3%, and declined \$1.3 million, or 4.8% during the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011 primarily due to savings realized from ongoing efficiency initiatives, including the closing of 36 branches since January 2011.

FDIC insurance costs and other regulatory fees decreased \$8.7 million, or 18.9%, and \$6.3 million, or 40.5% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011 due to the favorable impact of continuing improved performance at Synovus Bank on the assessment rate and a decline in the assessment base.

Foreclosed real estate costs decreased \$46.0 million, or 45.3%, and declined \$25.1 million, or 67.7% for the nine and three months ended September 30, 2012, respectively, compared to the same periods in 2011. The decline was largely a result of lower ORE inventory due to a reduction in the level of foreclosures as well as lower charges due to decline in fair value. For further discussion of foreclosed real estate, see the section captioned "Other Real Estate."

Data processing expense declined \$2.2 million, or 8.1%, and declined \$740 thousand, or 8.2% during the nine and three months ended September 30, 2012 compared to the same periods in 2011. The decline was primarily driven by renegotiated and/or terminated contracts.

During the nine and three months ended September 30, 2012, Synovus recognized Visa indemnification charges of \$5.5 million and \$833 thousand, respectively, which are related to Synovus' obligations as a member of the Visa USA network. See Note 11 "Visa Shares and Related Agreement" for further discussion of Visa indemnification charges.

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Income Taxes

Income Tax Expense

The table below shows the effective income tax rate for the nine and three months ended September 30, 2012 and 2011.

| (dollars in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | | |
|--|---------------------------------|-----------|----------------------------------|-----------|---|
| | 2012 | 2011 | 2012 | 2011 | |
| Income (loss) before income taxes | \$ 103,777 | (86,510) | 30,514 | 37,118 | |
| Income tax (expense) benefit, gross | (31,979) | 40,214 | (13,120) | (18,634) | |
| (Increase) decrease in valuation allowance for deferred tax assets | 34,372 | (41,904) | 13,331 | 11,724 | |
| Net income (loss) | \$ 106,170 | (88,200) | 30,725 | 30,208 | |
| Effective tax rate before valuation allowance | 30.82 | % 46.48 | % 43.00 | % 50.20 | % |
| Effective tax rate after valuation allowance | (2.31) | % (1.95) | % (0.69) | % 18.6 | % |

The total income tax benefit was \$2.4 million and \$211 thousand for the nine and three months ended September 30, 2012, respectively, compared to a tax expense of \$1.7 million and \$6.9 million for the nine and three months ended September 30, 2011, respectively.

Synovus expects to be subject to AMT for the year ending December 31, 2012 largely due to statutory limitations on the use of carryover net operating loss benefits. The income tax expense associated with the AMT liability is not expected to be significant.

Deferred Taxes

At September 30, 2012, net deferred tax assets, before the valuation allowance, were \$789.0 million compared to \$823.6 million at December 31, 2011. \$264.1 million of the September 30, 2012 balance was generated from temporary differences relating primarily to the provision for loan losses. This component does not have a set expiration date as the temporary differences have not yet reduced taxable income. The remaining net deferred tax asset balance of \$524.9 million relates to federal and state NOLs and tax credit carryforwards that have set expiration dates, typically 15 to 20 years for NOLs and 3 to 10 years for tax credits, from the date they are originally generated. Synovus assesses its deferred tax asset valuation allowance at each reporting period. The determination of whether a valuation allowance for deferred tax assets is needed is subject to considerable judgment and requires an evaluation of the available positive and negative evidence. Based on the assessment at September 30, 2012 and the weight of all available evidence, management concluded that maintaining the deferred tax asset valuation allowance was appropriate. However, with continued positive improvements in credit quality and with further continuance of profitable operating results, along with appropriate confidence levels and expectations for achieving forecasted profitability and consideration of all other appropriate positive and negative evidence, management currently believes that substantially all of the \$787.1 million deferred tax asset valuation allowance may be reversed as early as the end of the fourth quarter of 2012, and should be reversed no later than the end of the second quarter of 2013. Additionally, Synovus currently expects that approximately \$30 to \$35 million of its net deferred tax assets will expire before they can be realized. The majority of these deferred tax assets relate to state income tax credits that have various expiration dates through the tax year 2017. See "Part II - Item 1A - Risk Factors - Potential future losses may result in an additional valuation allowance in respect of our deferred tax assets. Our ability to reverse any valuation allowance, and recapture the deferred tax asset balance, is subject to considerable judgment and could be adversely impacted by our future performance, as well as any changes in future income tax rates" in this Report.

As of September 30, 2012, Synovus had NOLs for federal income tax purposes of approximately \$1.2 billion. If not utilized to reduce taxable income in future periods, these NOLs generally expire in various amounts beginning in 2029 and ending in 2032. Additionally, Synovus has a federal tax credit carryforward of \$26.3 million relating primarily to AMT taxes. This credit carryforward does not have a set expiration date.

The Tax Reform Act of 1986 contains provisions that limit the utilization of NOLs if there has been an “ownership change” as described in Section 382 of the Internal Revenue Code. In general, this would occur if certain ownership changes related to our stock that is held by 5% or greater shareholders exceeds 50% measured over a rolling three year period. In April 2010, Synovus adopted a shareholder rights plan, which 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 Synovus stock. 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. 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

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to occur, the value of our net operating losses and a portion of the net unrealized built-in losses could be impaired. Because a valuation allowance currently exists for substantially the full amount of our deferred tax assets, no additional charge to earnings would result. However, an “ownership change,” as defined above, could adversely impact our ability to recover the deferred tax asset in the future.

Several recent legislative proposals have each called for lowering the current 35% corporate income tax rate. If the corporate income tax rate is lowered, it would reduce the value of the deferred tax asset that is subject to recovery.

CREDIT QUALITY, CAPITAL RESOURCES AND LIQUIDITY**Credit Quality**

Synovus believes that the most relevant way to assess credit quality is through an analysis of key credit quality metrics. This methodology forms the basis for the summary table below and the discussion in the subsequent sections: total credit costs, non-performing assets (NPAs), NPL inflows, asset dispositions, past due loans, TDRs, potential problem loans, net charge-offs, provision for loan losses and allowance for loan losses.

Synovus continuously monitors the credit quality of its loan portfolio and maintains an allowance for loan losses that management believes is sufficient to absorb probable losses inherent in its loan portfolio. While credit costs, NPAs, NPL inflows, and charge-offs remain elevated, most of the overall credit quality measures continued to show improvement during the third quarter of 2012.

The table below includes selected credit quality metrics.

Credit Quality Metrics

| (dollars in thousands) | September 30, 2012 | June 30, 2012 | March 31, 2012 | December 31, 2011 | September 30, 2011 |
|---|-----------------------|---------------|-------------------|----------------------|-----------------------|
| Provision for loan losses | \$63,572 | 44,222 | 66,049 | 54,565 | 102,325 |
| Other credit costs | \$22,046 | 26,119 | 24,849 | 35,962 | 40,211 |
| Total credit costs | \$85,618 | 70,341 | 90,898 | 90,527 | 142,536 |
| Non-performing loans ⁽¹⁾ | \$700,204 | 755,161 | 836,039 | 883,021 | 872,074 |
| Impaired loans held for sale ⁽²⁾ | 10,019 | 31,306 | 18,317 | 30,156 | 53,074 |
| Other real estate | 189,182 | 174,941 | 201,429 | 204,232 | 239,255 |
| Non-performing assets ⁽³⁾ | \$899,405 | 961,408 | 1,055,785 | 1,117,409 | 1,164,403 |
| NPL inflows | 114,805 | 124,305 | 139,588 | 189,181 | 221,958 |
| Loans 90 days past due and still accruing | \$8,972 | 5,863 | 8,388 | 14,520 | 26,860 |
| As a % of loans | 0.05 | 0.03 | 0.04 | 0.07 | 0.13 |
| Total past due loans and still accruing | \$108,633 | 91,962 | 144,794 | 149,442 | 199,561 |
| As a % of loans | 0.55 | 0.47 | 0.73 | 0.74 | 0.99 |
| Accruing TDRs | \$698,847 | 687,396 | 651,239 | 668,472 | 640,324 |
| Potential problem commercial loans | 597,453 | 669,164 | 685,462 | 779,604 | 941,883 |
| Net charge-offs | 96,493 | 98,691 | 94,749 | 113,454 | 138,343 |
| Net charge-offs/average loans | 1.97 | 1.99 | 1.90 | 2.26 | 2.72 |
| Allowance for loan losses | 420,404 | 453,325 | 507,794 | 536,494 | 595,383 |
| Allowance for loan losses as a % of loans | 2.13 | 2.30 | 2.56 | 2.67 | 2.96 |
| Non-performing loans as a % of total loans | 3.55 | 3.84 | 4.21 | 4.40 | 4.34 |
| Non-performing assets as a % of total loans, other loans held for sale, and ORE | 4.51 | 4.83 | 5.26 | 5.50 | 5.71 |
| Allowance to non-performing loans | 60.04 | 60.03 | 60.74 | 60.76 | 68.27 |
| Collateral-dependent impaired loans ⁽⁴⁾ | \$470,794 | 516,038 | 588,976 | 620,910 | 612,445 |

⁽¹⁾ Allowance and cumulative write-downs on non-performing loans as a percentage of unpaid principal balance at September 30, 2012 was approximately 40% compared to 36% at June 30, 2012.

- (2) Represent only impaired loans that have been specifically identified to be sold. Impaired loans held for sale are carried at the lower of cost or fair value, less costs to sell, based primarily on estimated sales proceeds net of selling costs.
- (3) Allowance and cumulative write-downs on non-performing assets as a percentage of unpaid principal balance was 42% at September 30, 2012, compared to 45% at June 30, 2012.
- (4) Collateral-dependent impaired loans for which there was no associated reserve were \$350.1 million at September 30, 2012 and \$410.1 million at June 30, 2012.

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Total Credit costs

Total credit costs (provision for loan losses plus other credit costs which consist primarily of foreclosed real estate expense, net, provision for losses on unfunded commitments, and charges related to other loans held for sale) for the quarters ended September 30, 2012, June 30, 2012, and September 30, 2011 were \$85.6 million, \$70.3 million, and \$142.5 million, respectively, including provision for loan losses of \$63.6 million, \$44.2 million, and \$102.3 million, respectively, and expenses related to foreclosed real estate of \$12.0 million, \$20.7 million, and \$37.1 million, respectively. Compared to the previous quarter, total credit costs were \$15.3 million higher, primarily as a result of a \$19.3 million increase in the provision for loan losses. The sequential quarter increase in provision for loan losses was primarily due to an impairment charge on an existing non-performing loan (collateral fair value update), a lower benefit from the update to the loan loss reserve factors, and to a lesser extent, an increase in retail charge-offs, and the overall growth in loans.

Non-performing Assets

Total NPAs were \$899.4 million at September 30, 2012, a \$62.0 million or 25.7% (annualized) decrease from June 30, 2012 and a \$265.0 million or 22.8% decline from September 30, 2011. Non-performing assets, which are at their lowest levels in four years, declined for the tenth consecutive quarter and were primarily impacted by lower NPL inflows, asset dispositions, and charge-offs. Total non-performing assets as a percentage of total loans, other loans held for sale, and other real estate were 4.51% at September 30, 2012 compared to 4.83% and 5.71% at June 30, 2012 and September 30, 2011, respectively. The total specific reserves, ORE valuation allowances, and cumulative write-downs on NPAs as a percentage of unpaid principal balance related to all NPAs at September 30, 2012 was 42%, compared to 45% at June 30, 2012 and 43% at December 31, 2011.

The following table shows the composition of the loan portfolio and non-performing loans (classified by loan type) as of September 30, 2012.

| (dollars in thousands) | September 30, 2012 | | | |
|---------------------------------|--------------------|------------------------------------|----------------------------------|-----------------------------------|
| | Total Loans | % of Total Loans Outstanding | Total Non-performing Loans | %Total Non-performing Loans |
| Investment properties | \$4,390,897 | 22.2 | % 114,308 | 16.3 |
| 1-4 family properties | 1,427,250 | 7.2 | 133,999 | 19.1 |
| Land acquisition | 909,420 | 4.6 | 183,125 | 26.2 |
| Total commercial real estate | 6,727,567 | 34.0 | 431,432 | 61.6 |
| Commercial and industrial loans | 9,052,692 | 45.9 | 186,724 | 26.7 |
| Home equity lines | 1,572,986 | 8.0 | 21,220 | 3.0 |
| Consumer mortgages | 1,399,432 | 7.1 | 52,313 | 7.5 |
| Credit cards | 257,922 | 1.3 | — | — |
| Other retail loans | 738,319 | 3.7 | 8,515 | 1.2 |
| Total retail | 3,968,659 | 20.1 | 82,048 | 11.7 |
| Deferred fees and costs, net | (17,053) |) — | — | — |
| Total | \$19,731,865 | 100.0 | % 700,204 | 100.0 |

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The following table shows the composition of the non-performing residential C&D and land acquisition loan portfolios as of September 30, 2012. Residential C&D and land acquisition loans were \$1.43 billion or 7.2% of total loans at September 30, 2012 compared to \$1.55 billion or 7.9% of total loans at June 30, 2012. Non-performing residential C&D and land acquisition loans were \$272.0 million or 38.8% of total non-performing loans at September 30, 2012 compared to \$315.4 million or 41.8% of total non-performing loans at June 30, 2012, and \$373.8 million or 42.3% of total non-performing loans at December 31, 2011.

Nonperforming Residential C&D and Land Acquisition Loans

| (dollars in thousands) | September 30, 2012 | | December 31, 2011 | | |
|------------------------|--------------------|---------|-------------------|---------|---|
| | Amount | Percent | Amount | Percent | |
| Georgia ⁽¹⁾ | \$ 154,950 | 57.0 | % \$ 214,852 | 57.5 | % |
| Florida | 51,092 | 18.8 | 59,898 | 16.0 | |
| South Carolina | 41,485 | 15.2 | 69,805 | 18.7 | |
| Tennessee | 1,003 | 0.4 | 3,446 | 0.9 | |
| Alabama | 23,491 | 8.6 | 25,809 | 6.9 | |
| Total | \$ 272,021 | 100.0 | % \$ 373,810 | 100.0 | % |

⁽¹⁾ Atlanta represents \$94,712 at September 30, 2012 and \$130,009 at December 31, 2011.

NPL inflows during the third quarter of 2012 were \$114.8 million, down \$9.5 million or 7.6% from prior quarter additions of \$124.3 million and down \$107.2 million or 48.3% from the third quarter of 2011 additions of \$222.0 million. NPL inflows declined for the sixth consecutive quarter and were in line with expectations. Over the long term, management expects NPL inflows will continue the downward trend; however, due to the elevated level and composition of the accruing substandard portfolio, along with the overall lower level of inflows, Synovus could experience an increase in NPL inflows in any given quarter. See "Part II - Item 1A - Risk Factors - 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 this Report.

NPL Inflows by Portfolio Type

| (in thousands) | Three Months Ended | | | | |
|------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2012 | June 30, 2012 | March 31, 2012 | December 31, 2011 | September 30, 2011 |
| Investment properties | \$34,414 | 36,436 | 14,418 | 19,046 | 31,630 |
| 1-4 family properties | 19,811 | 19,562 | 26,941 | 39,293 | 30,163 |
| Land acquisition | 16,116 | 15,114 | 39,454 | 27,840 | 62,856 |
| Total commercial real estate | 70,341 | 71,112 | 80,813 | 86,179 | 124,649 |
| Commercial and industrial | 25,062 | 34,008 | 38,947 | 78,089 | 75,063 |
| Retail | 19,402 | 19,185 | 19,828 | 24,913 | 22,246 |
| Total | \$ 114,805 | 124,305 | 139,588 | 189,181 | 221,958 |

Asset Dispositions

In the second quarter of 2009, Synovus began its asset disposition strategy, which centers around disposition of distressed assets, as a proactive measure in managing distressed assets. The asset disposition strategy is still in place today. During the nine and three months ended September 30, 2012, Synovus completed sales of distressed assets with total carrying values of \$373.3 million and \$110.5 million, respectively. See "Part II - Item 1A - Risk Factors - 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 this Report.

Past Due Loans

Loans past due 90 days or more, which based on a determination of collectability are accruing interest, are classified as past due loans. Synovus' policy prohibits making additional loans to a borrower, or any related interest of a

borrower, who is on nonaccrual status except under certain workout plans and if such extension of credit aids with loss mitigation. Additionally, Synovus' policy discourages making additional loans to a borrower or any related interest of the borrower who has a loan that is past due in principal or interest more than 90 days and remains on accruing status.

As a percentage of total loans outstanding, loans 90 days past due and still accruing interest were 0.05% and 0.03% at

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September 30, 2012 and June 30, 2012, respectively. These loans are in the process of collection, and management believes that sufficient collateral value securing these loans exists to cover contractual interest and principal payments.

Troubled Debt Restructurings

When borrowers are experiencing financial difficulties, Synovus may, in order to assist the borrowers in repaying the principal and interest owed to Synovus, make certain modifications to the existing loan agreement. Loan modifications are evaluated for troubled debt restructuring (TDR) classification. In accordance with ASU 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring, a TDR is defined as a modification with a borrower that is experiencing financial difficulties, and Synovus has granted a financial concession that it would not normally make. All TDRs are considered to be impaired loans, and the amount of impairment, if any, is determined in accordance with ASC 310-10-35, Accounting By Creditors for Impairment of a Loan—an amendment of ASC 450-20 and ASC 310-40.

Concessions provided by Synovus in a TDR are generally made in order to assist borrowers so that debt service is not interrupted and to mitigate the potential for loan losses. A number of factors are reviewed when a loan is renewed, refinanced, or modified, including cash flows, collateral values, guarantees, and loan structures. Concessions are primarily in the form of providing a below market interest rate given the borrower's credit risk to assist the borrower in managing cash flows, an extension of the maturity of the loan generally for less than one year, or a period of time generally less than one year with a reduction of required principal and/or interest payments (e.g., interest only for a period of time). These types of concessions may be made during the term of a loan or upon the maturity of a loan, as a loan renewal. Renewals of loans made to borrowers experiencing financial difficulties are evaluated for TDR designation by determining if concessions are being granted, including consideration of whether the renewed loan has an interest rate that is at market, given the credit risk related to the loan.

Insignificant periods of reduction of principal and/or interest payments, or one time deferrals of 3 months or less, are generally not considered to be financial concessions. Further, it is generally Synovus' practice not to defer principal and/or interest for more than 12 months.

Since 2009, for consumer real estate borrowers experiencing financial difficulties that evidence that current monthly payments are unsustainable, Synovus has been providing through its consumer real estate HAP, a below market interest rate given the borrower's credit risk and/or an extension of the maturity and amortization period beyond loan policy limits for renewed loans. All consumer loans restructured or modified under HAP are TDRs. As of September 30, 2012, there were \$24.8 million in accruing TDRs that were part of the HAP program.

Non-accruing TDRs may generally be returned to accrual status if there has been a period of performance, usually at least a six month sustained period of repayment performance by the borrower. Consistent with regulatory guidance, a TDR will generally no longer be reported as a TDR after a period of performance and after the loan has been reported as a TDR at a year-end reporting date, and if at the time of the modification, the interest rate was at market, considering the credit risk associated with the borrower.

Accruing TDRs were \$698.8 million at September 30, 2012 compared to \$687.4 million at June 30, 2012 and \$640.3 million at September 30, 2011. At September 30, 2012, the allowance for loan losses allocated to these accruing TDRs was \$52.3 million compared to \$56.4 million at June 30, 2012 and \$68.1 million at September 30, 2011. The allowance for loan losses related to accruing TDRs has declined due to the increased level of pass and special mention accruing TDRs. Accruing TDRs are considered performing because they are performing in accordance with the restructured terms. At September 30, 2012, approximately 99% of accruing TDRs were current, and 50.9% or \$355.5 million of accruing TDRs were graded as pass (19.4%) or special mention loans (31.5%). At September 30, 2012, troubled debt restructurings (accruing and non-accruing) were \$916.9 million, an increase of \$9.1million or 1.0% compared to June 30, 2012.

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Accruing TDRs by Type

| (in thousands) | September 30, 2012 | December 31, 2011 |
|------------------------------|-----------------------|----------------------|
| Investment properties | \$176,157 | 206,627 |
| 1-4 family properties | 140,110 | 134,774 |
| Land acquisition | 60,803 | 81,244 |
| Total commercial real estate | 377,070 | 422,645 |
| Commercial and industrial | 266,126 | 206,446 |
| Home equity lines | 6,746 | 6,740 |
| Consumer mortgages | 41,709 | 31,096 |
| Other retail loans | 7,196 | 1,545 |
| Total retail | 55,651 | 39,381 |
| Total Accruing TDRs | \$698,847 | 668,472 |

Nonaccruing TDRs by Type

| (in thousands) | September 30, 2012 | December 31, 2011 |
|------------------------------|-----------------------|----------------------|
| Investment properties | \$61,745 | 34,307 |
| 1-4 family properties | 43,525 | 51,615 |
| Land acquisition | 61,557 | 51,788 |
| Total commercial real estate | 166,827 | 137,710 |
| Commercial and industrial | 41,797 | 67,714 |
| Home equity lines | 1,303 | 1,802 |
| Consumer mortgages | 7,449 | 6,672 |
| Other retail loans | 655 | 25 |
| Total retail | 9,407 | 8,499 |
| Total Nonaccruing TDRs | \$218,031 | 213,923 |

Potential Problem Loans

Potential problem loans are defined by management as being certain performing loans with a well-defined weakness where there is known information about possible credit problems of borrowers which causes management to have concerns about the ability of such borrowers to comply with the present repayment terms of such loans. Potential problem commercial loans consist of commercial substandard accruing loans but exclude loans 90 days past due and still accruing interest and accruing TDRs classified as substandard. Synovus had \$597.5 million of potential problem commercial loans at September 30, 2012 compared to \$669.2 million and \$941.9 million at June 30, 2012 and September 30, 2011, respectively. At September 30, 2012, the allowance for loan losses allocated to these potential problem loans was \$73.6 million compared to \$81.2 million and \$140.4 million at June 30, 2012 and September 30, 2011, respectively. Synovus cannot predict at this time whether these potential problem loans ultimately will become non-performing loans or result in losses.

Potential Problem Commercial Loans

| (dollars in thousands) | September 30, 2012 | December 31, 2011 |
|---|-----------------------|----------------------|
| Investment properties | \$157,964 | 138,317 |
| 1-4 family properties | 56,187 | 109,450 |
| Land acquisition | 136,090 | 169,884 |
| Total commercial real estate | 350,241 | 417,651 |
| Commercial and industrial | 247,212 | 361,953 |
| Total potential problem commercial loans ⁽¹⁾ | \$597,453 | 779,604 |

(1) Potential problem commercial loans consist of commercial substandard accruing loans but exclude loans 90 days past due and still accruing interest and accruing TDRs classified as substandard.

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Special Mention Loans

Special mention loans have potential weaknesses that deserve management's close attention but are not adversely classified and do not expose Synovus to sufficient risk to warrant an adverse classification. At September 30, 2012, there were \$1.49 billion of special mention loans (\$853.8 million of commercial real estate loans and \$640.0 million of commercial and industrial loans) compared to \$1.65 billion (\$916.9 million of commercial real estate loans and \$735.0 million of commercial and industrial loans) at June 30, 2012, a decrease of \$158.2 million, or 38.1% (annualized), from the second quarter of 2012. Compared to September 30, 2011, special mention loans have declined by \$601.2 million, or 28.7% primarily as a result of downgrades to substandard rating, net payments/payoffs, and upgrades to pass rating.

Net Charge-offs

Net charge-offs for the nine months ended September 30, 2012 were \$289.9 million or 1.95% annualized, a decrease of \$182.5 million or 38.6% compared to \$472.4 million or 3.03% annualized for the nine months ended September 30, 2011, driven by lower impairment charge-offs on existing collateral dependent impaired loans, and lower charge-offs due to a decline in both NPL inflows and asset dispositions. The net charge-off ratio for the three months ended September 30, 2012 was 1.97% annualized, compared to 1.99% annualized and 2.72% annualized for the second quarter of 2012 and the third quarter of 2011, respectively. Net charge-offs for the three months ended September 30, 2012 were \$96.5 million, a decrease of \$2.2 million from 98.7 million for the second quarter of 2012 and a decrease of \$41.9 million or 30.3% from \$138.3 million for the third quarter of 2011.

The following tables show net charge-offs by geography and type for the nine and three months ended September 30, 2012 and 2011.

Net Charge-offs by Geography

| (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|------------------------|---------------------------------|---------|----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Georgia ⁽¹⁾ | \$161,412 | 240,078 | 48,279 | 70,673 |
| Florida | 68,744 | 95,080 | 22,943 | 25,809 |
| South Carolina | 40,448 | 90,840 | 20,124 | 25,393 |
| Alabama | 13,071 | 15,425 | 3,905 | 4,733 |
| Tennessee | 6,258 | 30,971 | 1,242 | 11,735 |
| Total | \$289,933 | 472,394 | 96,493 | 138,343 |

⁽¹⁾ Atlanta represents \$70,910 and \$86,846 for the nine months ended September 30, 2012 and 2011, respectively, and \$25,585 and \$20,957 for the three months ended September 30, 2012 and 2011, respectively.

Net Charge-offs by Loan Type

| (in thousands) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|------------------------------|---------------------------------|---------|----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Investment properties | \$40,346 | 120,329 | 9,937 | 46,222 |
| 1-4 family properties | 42,700 | 101,508 | 11,088 | 24,442 |
| Land for future development | 69,998 | 84,654 | 29,711 | 36,915 |
| Total commercial real estate | 153,044 | 306,491 | 50,736 | 107,579 |
| Commercial and industrial | 102,379 | 111,503 | 34,690 | 14,798 |
| Retail | 34,510 | 54,400 | 11,067 | 15,966 |
| Total | \$289,933 | 472,394 | 96,493 | 138,343 |

Provision for Loan Losses and Allowance for Loan Losses

The provision for loan losses for the nine months ended September 30, 2012 was \$173.8 million, a decrease of \$190.4 million or 52.3% compared to the nine months ended September 30, 2011. For the three months ended September 30, 2012, the provision for loan losses was \$63.6 million, a decrease of \$38.8 million or 37.9% compared to the three months ended September 30, 2011. The allowance for loan losses was \$420.4 million or 2.13% of net loans at

September 30, 2012 compared to \$536.5 million or 2.67% of net loans at December 31, 2011 and \$595.4 million or 2.96% of net loans at September 30, 2011. The decline in the provision for loan losses for the nine and three months ended September 30, 2012 as compared to the same periods in 2011 as well as the decline in the allowance for loan losses as compared to September 30, 2011 is primarily due to the continued improvement in credit quality trends, including:

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Reduced net loan charge-offs by \$182.5 million or 38.6% from \$472.4 million for the nine months ended September 30, 2011 to \$289.9 million for the nine months ended September 30, 2012 while net charge-offs decreased \$2.2 million or 2.2% for the three months ended September 30, 2012

Reduced NPL inflows by \$380.9 million or 50.1% from \$759.6 million for the nine months ended September 30, 2011 to \$378.7 million for the nine months ended September 30, 2012 while NPL inflows decreased \$9.5 million or 7.6% for the three months ended September 30, 2012

Reduced loans rated special mention by \$601.2 million or 28.7% from \$2.09 billion at September 30, 2011 to \$1.49 billion at September 30, 2012

Reduced loans rated substandard accruing by \$410.3 million or 29.8% from \$1.38 billion at September 30, 2011 to \$965.1 million at September 30, 2012

Pass rated loans as a percentage of total loans were 84.0% at September 30, 2012 compared to 78.4% at September 30, 2011

The sequential quarter increase in provision for loan losses was primarily due to an impairment charge on an existing non-performing loan (collateral fair value update), a lower benefit from the update to the loan loss reserve factors, and to a lesser extent, an increase in retail charge-offs, and the overall growth in loans.

The allowance for loan losses to non-performing loans coverage was 60.0% at September 30, 2012 compared to 60.8% and 68.3% at December 31, 2011 and September 30, 2011, respectively. This ratio is impacted by collateral-dependent impaired loans which generally have no allowance for loan losses because the estimated losses on these credits have been charged-off. Therefore, a more meaningful allowance for loan losses coverage ratio is the allowance to non-performing loans excluding collateral-dependent impaired loans for which there is no related allowance for loan losses. This ratio was 131.6% at September 30, 2012 compared to 124.0% at December 31, 2011 and 145.12% at September 30, 2011.

A substantial number of Synovus' loans are secured by real estate located in five southeastern states (Georgia, Alabama, Florida, South Carolina, and Tennessee). Accordingly, the ultimate collectability of a substantial part of Synovus' loan portfolio is susceptible to changes in market conditions in these areas. Based on current information and market conditions, management believes that the allowance for loan losses is adequate.

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Capital Resources

Synovus has always placed great emphasis on maintaining a solid capital base and continues to satisfy applicable regulatory capital requirements. Management is committed to maintaining a capital level sufficient to assure shareholders, customers, and regulators that Synovus is financially sound.

The following table presents certain ratios used to measure Synovus' and Synovus Bank's capitalization.

Capital Ratios

| (dollars in thousands) | September 30, 2012 | December 31, 2011 |
|--|--------------------|-------------------|
| Tier 1 capital | | |
| Synovus Financial Corp. | \$2,835,950 | 2,780,774 |
| Synovus Bank | 3,109,832 | 2,950,329 |
| Tier 1 common equity | | |
| Synovus Financial Corp. | 1,872,003 | 1,824,493 |
| Total risk-based capital | | |
| Synovus Financial Corp. | 3,465,950 | 3,544,089 |
| Synovus Bank | 3,377,787 | 3,219,480 |
| Tier 1 capital ratio | | |
| Synovus Financial Corp. | 13.23 | % 12.94 |
| Synovus Bank | 14.59 | 13.87 |
| Tier 1 common equity ratio | | |
| Synovus Financial Corp. | 8.73 | 8.49 |
| Total risk-based capital to risk-weighted assets ratio | | |
| Synovus Financial Corp. | 16.16 | 16.49 |
| Synovus Bank | 15.85 | 15.14 |
| Leverage ratio | | |
| Synovus Financial Corp. | 10.97 | 10.08 |
| Synovus Bank | 12.12 | 10.82 |
| Tangible common equity to tangible assets ratio ⁽¹⁾ | | |
| Synovus Financial Corp. | 7.35 | % 6.81 |

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

As a financial holding company, Synovus and its subsidiary bank, Synovus Bank, are required to maintain capital levels required for a well-capitalized institution as defined by federal banking regulations. The capital measures used by the federal banking regulators include the total risk-based capital ratio, the Tier 1 risk-based capital ratio, and the leverage ratio. Synovus Bank is a state-chartered bank under the regulations of the GA DBF. Under applicable regulations, Synovus Bank is well-capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 capital ratio of 6% or greater, a leverage ratio of 5% or greater, and is not subject to any written agreement, order, capital directive, or prompt corrective action directive from a federal and/or state banking regulatory agency to meet and maintain a specific capital level for any capital measure. However, even if Synovus Bank satisfies all applicable quantitative criteria to be considered well-capitalized, the regulations also establish procedures for "downgrading" an institution to a lower capital category based on supervisory factors other than capital. In June 2010, Synovus Bank entered into a memorandum of understanding with the FDIC and the GA DBF agreeing to maintain a minimum leverage ratio of 8% and a minimum total risk-based capital to risk-weighted assets ratio of 10%. Management believes that, as of September 30, 2012, Synovus and Synovus Bank meet all capital requirements to which they are subject.

As of September 30, 2012, Synovus and Synovus Bank's capital have been favorably impacted by five and six quarters of profitability, respectively. However, Synovus has experienced significant credit losses in recent years, primarily as a result of an extended period of economic downturn impacting all segments of the United States

economy. While the level of credit losses has declined significantly from the peak with all key credit quality measures continuing to improve, current levels of credit losses and non-performing assets remain elevated compared to historical levels. The cumulative effect of these credit losses over recent years has negatively impacted Synovus' capital position. As a result, Synovus has completed a number of steps to strengthen its capital position as described below and in Synovus' 2011 Form 10-K. Synovus continuously and actively manages capital, including

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forecasting and stress testing in line with regulatory guidance issued in May of 2012 for both expected and more adverse economic conditions, and will pursue additional strategies designed to bolster its capital position when and as deemed necessary. If credit losses exceed management's current expectations, they could adversely impact Synovus' capital ratios.

During 2008, 2009, and 2010, Synovus completed several public offerings and other capital actions.

In December 2008, Synovus issued 967,870 shares of Series A Preferred Stock to the United States Department of the Treasury as part of the CPP, generating \$967.9 million of Tier 1 Capital. During 2009 and 2010, Synovus issued an aggregate of 443,250,000 shares of common stock and issued 13,800,000 units of tMEDS through two public offerings. The common stock and tMEDS offerings increased Tier 1 common equity by approximately \$1.61 billion. See Notes 13 and 20 to the consolidated financial statements in Synovus' 2011 Form 10-K for further information regarding the 2009 and 2010 common stock offerings, tMED offering, and other actions taken to bolster capital.

In June 2012, the U.S. banking regulatory agencies released three NPRs that will revise regulatory capital rules for U.S. banking organizations and align them with the Basel III capital standards. The NPRs are also designed to comply with various aspects of the Dodd-Frank Act. Two of the NPRs would apply to Synovus and have broad applicability to U.S. banking organizations regardless of size, with the exception of small bank holding companies (assets of less than \$500 million). The proposed rules establish more stringent capital standards through more restrictive capital definitions, higher risk-weighted assets, additional capital buffers, and higher requirements for minimum capital ratios. The comment period for the NPRs ended October 22, 2012 with some provisions expected to be effective in 2013. However, most of the significant changes, as proposed, are subject to phase-in periods that generally begin in either 2014 or 2016 and end in 2019. Synovus is currently reviewing the proposed rules and the impact these changes would make to regulatory capital.

Management currently believes, based on internal capital analyses and earnings projections, that Synovus' capital position is adequate to meet current and proposed regulatory minimum capital requirements. However, 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 future repayment of Synovus' obligations under the CPP. As discussed under the section titled "Income Taxes - Deferred Taxes" in this Report, management currently believes that substantially all of the \$787.1 million deferred tax asset valuation allowance may be reversed as early as the end of the fourth quarter of 2012, and should be reversed no later than the end of the second quarter of 2013. Management expects that the reversal of the DTA valuation allowance should position Synovus to repay its CPP obligations as early as the second quarter of 2013, but no later than the fourth quarter of 2013. See "Part II - Item 1A - Risk Factors - 'Potential future losses may result in an additional valuation allowance in respect of our deferred tax assets. Our ability to reverse any valuation allowance, and recapture the deferred tax asset balance, is subject to considerable judgment and could be adversely impacted by our future performance, as well as any changes in future income tax rates' and 'We have not repaid our TARP funds, and regulatory initiatives applicable to financial institutions in general and TARP recipients in particular 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' " in this Report.

Dividends

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 and on "Part II - Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities - Dividends" of Synovus' 2011 Form 10-K. Synovus' ability to pay dividends is partially dependent upon dividends and distributions that it

receives from its bank and non-banking subsidiaries, which are restricted by various regulations administered by federal and state bank regulatory authorities. Dividends from subsidiaries in 2009, 2010, and 2011 were significantly lower than those received 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, and Synovus may not receive dividends from Synovus Bank in 2012.

As a result of the MOU described in "Part I - Item 1A - Risk Factors - We are presently subject to, and in the future may become subject to additional, supervisory actions and enhanced regulation that could have a material negative effect on our business, operating flexibility, reputation, financial condition and the value of our Common Stock" of Synovus' 2011 Form 10-K. We are required to inform and consult with 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 could be an unsafe or unsound banking practice. In the

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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. 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 common 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 are presently 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 Synovus' 2011 Form 10-K for additional information regarding dividends on Synovus stock.

Synovus declared and paid dividends of \$0.03 per common share and \$0.01 per common share for the nine and three months ended September 30, 2012, respectively. Synovus declared and paid dividends of \$0.03 per common share and \$0.01 per common share for the nine and three months ended September 30, 2011, respectively.

In addition to dividends paid on its common stock, Synovus paid dividends of \$36.3 million and \$12.1 million to the Treasury on the Series A Preferred Stock during the nine and three months ended September 30, 2012, respectively. Synovus paid dividends of \$36.3 million and \$12.1 million to the Treasury on the Series A Preferred Stock during the nine and three months ended September 30, 2011, respectively.

Liquidity

Liquidity represents the extent to which Synovus has readily available sources of funding needed to meet the needs of depositors, borrowers and creditors, to support asset growth, and to otherwise sustain the operations of Synovus and Synovus Bank, at a reasonable cost, on a timely basis, and without adverse consequences. The ALCO, operating under liquidity and funding policies approved by the Board of Directors, actively analyzes contractual and anticipated cash flows in order to properly manage Synovus' liquidity position.

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

Liquidity is generated through maturities and repayments of loans by customers, maturities and sales of investment securities, deposit growth, and access to sources of funds other than deposits. Management constantly monitors and maintains appropriate levels of liquidity so as to provide adequate funding sources to meet estimated customer deposit withdrawals and future loan requests. Liquidity is also enhanced by the acquisition of new deposits. Each of the banking divisions monitors deposit flows and evaluates alternate pricing structures in an effort to retain and grow deposits. Customer confidence is a critical element in growing and retaining deposits. In this regard, Synovus' 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, the ability to grow and retain deposits could be diminished, which in turn could reduce deposits as a liquidity source.

As a result of the Dodd-Frank Act, effective as of December 31, 2010, unlimited FDIC insurance coverage for non-interest bearing demand transaction accounts was extended through December 31, 2012. This component of the Dodd-Frank Act served to extend unlimited insurance coverage which was initially established by the TAGP. Under current law, insurance coverage for non-interest bearing demand deposits will decline to a level of \$250,000 per depositor after December 31, 2012. Currently, Synovus has a significant customer base which maintains non-interest bearing demand deposit balances that would exceed the insurance threshold after 2012 if this unlimited insurance coverage is not extended. Synovus' ability to retain these deposits would depend on numerous factors, including

general economic conditions and the operating performance and credit quality of Synovus. As this represents a potential liquidity risk, Synovus expects to maintain an above average level of liquidity sources to mitigate such risk and to continue to evaluate and monitor this risk throughout 2012. 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" in Synovus' 2011 Form 10-K.

Synovus Bank also generates liquidity through national deposit markets. Synovus Bank historically has issued long-term certificates of deposit across a broad geographic base to increase liquidity and diversify its funding base. Access to these deposits

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could become limited if Synovus Bank's asset quality and financial performance were to significantly deteriorate. Synovus Bank has the capability to access funding through its membership in the FHLB System. At September 30, 2012, Synovus Bank had access to incremental funding, subject to available collateral and FHLB credit policies, through utilization of FHLB advances.

In addition to bank level liquidity management, Synovus must manage liquidity at the holding company level for various operating needs including potential capital infusions into subsidiaries, the servicing of debt, the payment of general corporate expenses, and the payment of dividends to shareholders. The primary source of liquidity for Synovus is dividends from Synovus Bank, a transaction that is governed by certain rules and regulations of the GA DBF and FDIC. Dividends from Synovus Bank in 2010 were \$43.9 million. During 2011, 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 financial condition. Synovus may not receive dividends from Synovus Bank in 2012. See "Part I - Item 1A. Risk Factors - We may be unable to pay dividends on our Common Stock: and "Changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which we are perceived in such markets, may adversely affect our capital resources, liquidity and financial results" of Synovus' 2011 Form 10-K. Synovus Bank is currently subject to a MOU that prohibits it from paying any cash dividends to the Parent Company without prior regulatory approval. Additionally, GA DBF rules and related statutes contain restrictions on payments of dividends. See "Part I- Item 1. Business - Supervision, Regulation and Other Factors - Dividends" of Synovus' 2011 Form 10-K. Synovus Bank is currently required to maintain regulatory capital levels in excess of minimum well-capitalized requirements, primarily as a result of non-performing asset levels. Due to these requirements, Synovus could be required to contribute additional capital to Synovus Bank, which could adversely affect liquidity at the Parent Company.

On February 13, 2012, Synovus issued \$300 million aggregate principal amount of the 2019 Senior Notes in a public offering for aggregate proceeds of approximately \$292.8 million, net of discount and debt issuance costs. Concurrent with this offering, Synovus announced a Tender Offer for any and all of its 2013 Notes, with a total principal amount outstanding of approximately \$206.8 million. An aggregate principal amount of \$146.1 million of the 2013 notes, representing 71% of the outstanding principal amount, were tendered in the Tender Offer. Synovus paid total consideration of approximately \$146.1 million for these notes, which was funded from a portion of the net proceeds of the 2019 Senior Notes.

Synovus has historically enjoyed a solid reputation in the capital markets and in the past few years has relied on the capital and debt markets to provide needed liquidity resources, including its public offerings completed in September 2009, May 2010 and February 2012. Despite the success of these recent public offerings, in light of the current regulatory environment, and Synovus' financial performance and related credit ratings, 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 II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of Synovus' 2011 Form 10-K.

Synovus presently believes that the sources of liquidity discussed above, including existing liquid funds on hand, are sufficient to meet its anticipated funding needs through the near future. However, if economic conditions or other factors worsen to a greater degree than the assumptions underlying Synovus' internal financial performance projections, regulatory capital requirements for Synovus or Synovus Bank increase as the result of regulatory directives or otherwise, or Synovus believes it is prudent to enhance current liquidity levels, then Synovus may seek additional liquidity from external sources. See "Part I - Item 1A - Risk Factors - Changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which we are perceived in such markets, may adversely affect our capital resources, liquidity and financial results" in Synovus' 2011 Form 10-K.

Earning Assets and Sources of Funds

Average total assets for nine months ended September 30, 2012 decreased \$2.25 billion, or 7.8%, to \$26.54 billion as compared to \$28.78 billion for the first nine months of 2011. Average earning assets decreased \$2.04 billion, or 7.6%, in the first nine months of 2012 compared to the same period in 2011 and represented 93.0% of average total assets as

compared to 92.8% in 2011. The reduction in average earning assets resulted from a \$1.41 billion reduction in interest bearing funds at the Federal Reserve Bank and a \$904.2 million net decrease in net loans outstanding which were offset in part by a \$341.0 million increase in the taxable investment securities portfolio. Average interest bearing liabilities decreased \$2.72 billion, or 13%, to \$17.91 billion in the first nine months of 2012 compared to the same period in 2011. The decrease in funding sources utilized to support earning assets was driven by a \$2.35 billion decrease in time deposits and a \$466.3 million decrease in long-term debt.

Net interest income for the nine months ended September 30, 2012 was \$646.7 million a decrease of \$50.3 million, or 7.2%, compared to \$697.0 million for the nine months ended September 30, 2011.

The net interest margin for the nine months ended September 30, 2012 was 3.51% up 1 b.p. from 3.50% for the nine months ended September 30, 2011. Earning asset yields decreased by 21 b.p.s compared to the nine months ended September 30, 2011 while the effective cost of funds decreased by 22 b.p.s. The primary factors negatively impacting earning asset yields were a 139

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b.p.s decrease in the yield on taxable investment securities and a 29 b.p.s decline in loan yields. The investment yield decrease was due to significantly lower yields available for the reinvestment of maturing higher yielding securities and the portfolio repositioning primarily completed in the third quarter of 2011. In addition to these factors, higher levels of mortgage prepayment activity resulted in the acceleration of the amortization of mortgage security purchase premiums. Loan yield decreases were primarily driven by downward pricing of maturing and prepaid loans. Earning asset yields were positively impacted by the reduction in low yielding funds held at the Federal Reserve Bank. The effective cost of funds was positively impacted by the downward repricing of maturing certificates of deposit, a decrease in the effective cost of money market and interest-bearing demand deposits, and a deposit mix shift from time deposits to lower-cost core deposits. As compared to the nine months ended September 30, 2011, core certificates of deposit declined by 39 b.p.s and core money market accounts declined by 34 b.p.s.

On a sequential quarter basis, net interest income decreased by \$1.0 million and the net interest margin increased by 3 b.p.s to 3.51%. Yields on earning assets decreased 5 b.p.s and the effective cost of funds decreased by 8 b.p. Yields on earnings assets were negatively impacted by a 6 b.p.s decrease in loan yields and a 44 b.p.s decrease in taxable investment security yields. Investment yields were negatively impacted by a significant increase in prepayment activity, which resulted in a higher level of purchased premium amortization. Earning asset yields were positively impacted by a further reduction in low yielding funds held at the Federal Reserve Bank. The effective cost of funds was positively impacted by the downward repricing of core certificates of deposit and core money market accounts, each of which declined by 12 b.p.s and 9 b.p.s, respectively.

Synovus presently anticipates that the net interest margin could potentially experience a modest decline in the fourth quarter of 2012. Earning asset yields are expected to further modestly decline due to current low market yields, runoff of higher yielding assets, and continued higher levels of purchased premium amortization on investment securities. Funding costs are expected to decline, although downward deposit repricing opportunities are becoming more limited. Should the current historically low interest rate environment persist for an extended period of time, further net interest margin pressure could be experienced.

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

Average Balances, Interest, and Yields

| (dollars in thousands) (yields and rates annualized) | 2012 | | | 2011 | |
|---|---------------|----------------|---------------|----------------|---------------|
| | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | Third Quarter |
| Interest Earning Assets | | | | | |
| Taxable investment securities ⁽¹⁾ | \$3,495,838 | 3,539,376 | 3,577,026 | 3,647,459 | 3,152,589 |
| Yield | 1.67 | % 2.11 | 2.35 | 2.59 | 3.28 |
| Tax-exempt investment securities ⁽¹⁾⁽³⁾ | \$19,503 | 21,408 | 23,559 | 25,566 | 27,903 |
| Yield (taxable equivalent) | 6.47 | % 6.40 | 6.36 | 6.57 | 6.66 |
| Trading account assets | \$12,343 | 13,647 | 14,975 | 19,107 | 14,601 |
| Yield | 8.27 | % 6.93 | 7.47 | 4.87 | 5.76 |
| Commercial loans ⁽²⁾⁽³⁾ | \$15,691,881 | 15,941,719 | 16,144,615 | 16,276,207 | 16,535,371 |
| Yield | 4.63 | % 4.67 | 4.76 | 4.82 | 4.88 |
| Consumer loans ⁽²⁾ | \$3,940,000 | 3,896,941 | 3,866,084 | 3,871,393 | 3,869,698 |
| Yield | 4.80 | % 4.87 | 4.95 | 4.95 | 5.06 |
| Allowance for loan losses | \$(446,495) | (498,419) | (529,669) | (587,956) | (632,082) |
| Loans, net ⁽²⁾ | \$19,185,386 | 19,340,241 | 19,481,030 | 19,559,644 | 19,772,987 |
| Yield | 4.79 | % 4.85 | 4.94 | 5.01 | 5.09 |
| Mortgage loans held for sale | \$175,199 | 90,499 | 112,040 | 161,632 | 91,257 |
| Yield | 4.03 | % 4.99 | 4.88 | 4.58 | 5.74 |
| Federal funds sold, due from Federal Reserve Bank, and other short-term investments | \$1,215,743 | 1,668,814 | 1,830,295 | 2,221,728 | 3,075,470 |
| Yield | 0.24 | % 0.24 | 0.24 | 0.24 | 0.24 |
| Federal Home Loan Bank and Federal Reserve Bank Stock ⁽⁴⁾ | \$53,239 | 63,665 | 78,100 | 84,171 | 96,442 |
| Yield | 1.87 | % 1.85 | 1.43 | 0.93 | 0.90 |
| Total interest earning assets | \$24,157,251 | 24,737,650 | 25,117,025 | 25,719,307 | 26,231,249 |
| Yield | 4.09 | % 4.14 | 4.22 | 4.23 | 4.28 |
| Interest Bearing Liabilities | | | | | |
| Interest bearing demand deposits | \$3,344,561 | 3,404,540 | 3,540,327 | 3,457,677 | 3,302,439 |
| Rate | 0.19 | % 0.22 | 0.25 | 0.26 | 0.3 |
| Money Market accounts | \$6,751,607 | 6,769,037 | 6,755,769 | 6,697,334 | 6,636,751 |
| Rate | 0.33 | % 0.42 | 0.49 | 0.57 | 0.73 |
| Savings deposits | \$557,086 | 557,149 | 534,118 | 516,520 | 521,604 |
| Rate | 0.10 | % 0.11 | 0.12 | 0.12 | 0.13 |
| Time deposits under \$100,000 | \$1,763,864 | 1,868,348 | 1,967,084 | 2,062,171 | 2,131,453 |
| Rate | 0.85 | % 0.97 | 1.08 | 1.17 | 1.27 |
| Time deposits over \$100,000 | \$2,176,488 | 2,336,496 | 2,480,044 | 2,710,893 | 2,912,476 |
| Rate | 1.11 | % 1.23 | 1.33 | 1.40 | 1.49 |
| Brokered money market accounts | \$186,336 | 222,916 | 223,113 | 236,973 | 325,002 |
| Rate | 0.33 | % 0.33 | 0.28 | 0.27 | 0.39 |
| Brokered time deposits | \$820,908 | 1,036,521 | 1,346,868 | 1,689,538 | 2,053,811 |
| Rate | 1.83 | % 1.94 | 1.89 | 1.87 | 1.88 |
| Total interest bearing deposits | \$15,600,850 | 16,195,007 | 16,847,323 | 17,371,106 | 17,883,536 |
| Rate | 0.54 | % 0.64 | 0.73 | 0.82 | 0.95 |
| Federal funds purchased and other short-term liabilities | \$350,183 | 368,984 | 296,018 | 329,343 | 368,311 |

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|--------------------------------------|--------------|------------|------------|------------|------------|
| Rate | 0.17 | % 0.18 | 0.24 | 0.26 | 0.28 |
| Long-term debt | \$1,372,741 | 1,326,239 | 1,386,324 | 1,443,825 | 1,693,673 |
| Rate | 4.09 | % 4.34 | 3.19 | 2.78 | 2.45 |
| Total interest bearing liabilities | \$17,323,774 | 17,890,230 | 18,529,665 | 19,144,274 | 19,945,520 |
| Rate | 0.81 | % 0.91 | 0.90 | 0.96 | 1.06 |
| Non-interest bearing demand deposits | \$5,560,827 | 5,606,352 | 5,397,964 | 5,413,322 | 5,175,521 |
| Net interest margin | 3.51 | % 3.48 | 3.55 | 3.52 | 3.47 |
| Taxable equivalent adjustment | \$761 | 780 | 798 | 844 | 880 |

(1) Excludes net unrealized gains and (losses).

(2) Average loans are shown net of deferred fees and costs. Non-performing loans are included.

(3) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35%, in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.

(4) Included as a component of Other Assets on the balance sheet.

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Net Interest Income and Rate/Volume Analysis

The following tables set forth the major components of net interest income and the related annualized yields and rates for the nine and three months ended September 30, 2012 and 2011, as well as the variances between the periods caused by changes in interest rates versus changes in volume.

Net Interest Income and Rate/Volume Analysis

| (dollars in thousands) | Nine Months Ended September 30, | | | | Annualized Yield/Rate | | 2012 Compared to 2011 | | |
|---|---------------------------------|--------------|-----------|-----------|-----------------------|--------|-----------------------|------------|---------------------|
| | Average Balances | | Interest | | | | Change due to | | Increase (Decrease) |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | Volume | Rate | |
| Assets | | | | | | | | | |
| Interest earning assets: | | | | | | | | | |
| Taxable loans, net ⁽¹⁾ | \$19,681,670 | \$20,755,049 | \$697,070 | \$769,917 | 4.73 % | 4.96 % | \$(39,857) | \$(32,990) | \$(72,847) |
| Tax-exempt loans, net ⁽¹⁾⁽²⁾ | 144,697 | 153,710 | 5,670 | 6,110 | 5.23 | 5.31 | (359) | (81) | (440) |
| Allowance for loan losses | (491,363) | (669,604) | | | | | | | |
| Loans, net | 19,335,004 | 20,239,155 | 702,740 | 776,027 | 4.86 | 5.15 | (40,216) | (33,071) | (73,287) |
| Investment securities available for sale: | | | | | | | | | |
| Taxable investment securities | 3,537,261 | 3,196,254 | 54,012 | 82,123 | 2.04 | 3.44 | 8,757 | (36,868) | (28,111) |
| Tax-exempt investment securities ⁽²⁾ | 21,483 | 34,405 | 1,033 | 1,747 | 6.41 | 6.77 | (655) | (59) | (714) |
| Total investment securities | 3,558,744 | 3,230,659 | 55,045 | 83,870 | 2.08 | 3.47 | 8,102 | (36,927) | (28,825) |
| Trading account assets | 13,650 | 17,233 | 770 | 691 | 7.52 | 5.28 | (143) | 222 | 79 |
| Interest earning deposits with banks | 19,121 | 24,398 | 48 | 104 | 0.33 | 0.57 | (22) | (34) | (56) |
| Due from Federal Reserve Bank | 1,426,017 | 2,840,698 | 2,697 | 5,363 | 0.25 | 0.25 | (2,648) | (18) | (2,666) |
| Federal funds sold and securities purchased under resale agreements | 125,181 | 147,815 | 99 | 95 | 0.11 | 0.09 | (15) | 19 | 4 |
| Federal Home Loan Bank and Federal Reserve | 64,958 | 104,035 | 821 | 697 | 1.69 | 0.89 | (261) | 385 | 124 |

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|-------------------------------|--------------|--------------|---------|---------|------|------|-----------|-----------|------------|--|
| Bank stock | | | | | | | | | | |
| Mortgage loans held for sale | 126,093 | 107,633 | 4,260 | 4,343 | 4.51 | 5.38 | 743 | (827) | (84) | |
| Total interest earning assets | 24,668,768 | 26,711,626 | 766,480 | 871,190 | 4.15 | 4.36 | (34,460) | (70,251) | (104,711) | |
| Cash and due from banks | 447,469 | 431,313 | | | | | | | | |
| Premises and equipment, net | 480,593 | 507,847 | | | | | | | | |
| Other real estate | 201,709 | 268,601 | | | | | | | | |
| Other assets ⁽³⁾ | 738,809 | 864,498 | | | | | | | | |
| Total assets | \$26,537,348 | \$28,783,885 | | | | | | | | |

Liabilities and Shareholders'

| | | | | | | | | | | |
|---|--------------|--------------|-----------|-----------|--------|--------|-----------|------------|------------|--|
| Equity | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | |
| Interest-bearing demand deposits | \$3,429,498 | \$3,401,983 | 5,723 | 8,042 | 0.22 | 0.32 | 66 | (2,385) | (2,319) | |
| Money market accounts | 6,969,477 | 6,867,664 | 21,393 | 37,708 | 0.41 | 0.73 | 556 | (16,871) | (16,315) | |
| Savings deposits | 549,479 | 511,978 | 451 | 526 | 0.11 | 0.14 | 40 | (115) | (75) | |
| Time deposits | 5,263,700 | 7,609,925 | 49,961 | 91,810 | 1.27 | 1.61 | (28,279) | (13,570) | (41,849) | |
| Federal funds purchased and securities sold under repurchase agreements | 338,438 | 409,884 | 505 | 851 | 0.20 | 0.28 | (144) | (202) | (346) | |
| Long-term debt | 1,361,808 | 1,828,068 | 39,446 | 32,518 | 3.86 | 2.35 | (8,272) | 15,200 | 6,928 | |
| Total interest-bearing liabilities | 17,912,400 | 20,629,502 | 117,479 | 171,455 | 0.88 | 1.11 | (36,033) | (17,943) | (53,976) | |
| Non-interest bearing deposits | 5,521,857 | 4,970,565 | | | | | | | | |
| Other liabilities | 239,019 | 250,579 | | | | | | | | |
| Shareholders' equity | 2,864,072 | 2,933,239 | | | | | | | | |
| Total liabilities and equity | \$26,537,348 | \$28,783,885 | | | | | | | | |
| Net interest income/margin | | | 649,001 | 699,735 | 3.51 % | 3.50 % | | | | |
| Taxable equivalent adjustment | | | 2,340 | 2,736 | | | | | | |
| Net interest income, actual | | | \$651,341 | \$702,471 | | | \$1,573 | \$(52,308) | \$(50,735) | |

(1) Average loans are shown net of unearned income. Non-performing loans are included. Interest income includes fees as follows: 2012 - \$14.1 million, 2011 - \$12.4 million.

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(2) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35% in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.

(3) Includes average net unrealized gains (losses) on investment securities available for sale of \$70.0 million and \$107.3 million for the nine months ended September 30, 2012 and 2011, respectively.

Net Interest Income and Rate/Volume Analysis

| | Three Months Ended September 30, | | | | Annualized | | 2012 Compared to 2011 | | |
|---|----------------------------------|--------------|-----------|-----------|------------|--------|-----------------------|------------|------------------------|
| | Average Balances | | Interest | | Yield/Rate | | Change due to | | Increase (Decrease) |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | Volume | Rate | |
| (dollars in thousands) | | | | | | | | | |
| Assets | | | | | | | | | |
| Interest earning assets: | | | | | | | | | |
| Taxable loans, net ⁽¹⁾ | \$19,488,309 | \$20,251,765 | \$228,670 | \$250,619 | 4.67 % | 4.91 % | \$(9,423) | \$(12,526) | \$(21,949) |
| Tax-exempt loans, net ⁽¹⁾⁽²⁾ | 143,572 | 153,304 | 1,865 | 2,059 | 5.17 | 5.33 | (130) | (64) | (194) |
| Allowance for loan losses | (446,495) | (632,082) | | | | | | | |
| Loans, net | 19,185,386 | 19,772,987 | 230,535 | 252,678 | 4.79 | 5.09 | (9,553) | (12,590) | (22,143) |
| Investment securities available for sale: | | | | | | | | | |
| Taxable investment securities | 3,495,838 | 3,152,589 | 14,584 | 26,096 | 1.67 | 3.28 | 2,856 | (14,368) | (11,512) |
| Tax-exempt investment securities ⁽²⁾ | 19,503 | 27,903 | 316 | 464 | 6.47 | 6.66 | (141) | (7) | (148) |
| Total investment securities | 3,515,341 | 3,180,492 | 14,900 | 26,560 | 1.72 | 3.35 | 2,715 | (14,375) | (11,660) |
| Trading account assets | 12,343 | 14,601 | 255 | 212 | 8.27 | 5.76 | (33) | 76 | 43 |
| Interest earning deposits with banks | 20,121 | 26,347 | 13 | 7 | 0.26 | 0.11 | (2) | 8 | 6 |
| Due from Federal Reserve Bank | 1,078,661 | 2,890,058 | 688 | 1,839 | 0.25 | 0.25 | (1,138) | (13) | (1,151) |
| Federal funds sold and securities purchased under resale agreements | 116,961 | 159,065 | 34 | 25 | 0.12 | 0.06 | (6) | 15 | 9 |
| | 53,239 | 96,442 | 249 | 218 | 1.87 | 0.90 | (98) | 129 | 31 |

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| | | | | | | | | | | |
|---|--------------|--------------|-----------|-----------|--------|--------|-----------|-----------|-----------|--|
| Federal Home Loan Bank and Federal Reserve Bank stock | | | | | | | | | | |
| Mortgage loans held for sale | 175,199 | 91,257 | 1,763 | 1,310 | 4.03 | 5.74 | 1,211 | (759) | 452 | |
| Total interest earning assets | 24,157,251 | 26,231,249 | 248,437 | 282,849 | 4.09 | 4.28 | (6,904) | (27,509) | (34,413) | |
| Cash and due from banks | 438,745 | 415,521 | | | | | | | | |
| Premises and equipment, net | 476,432 | 492,753 | | | | | | | | |
| Other real estate | 191,118 | 255,608 | | | | | | | | |
| Other assets ⁽³⁾ | 723,016 | 860,432 | | | | | | | | |
| Total assets | \$25,986,562 | \$28,255,563 | | | | | | | | |
| Liabilities and Shareholders' Equity | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | |
| Interest-bearing demand deposits | \$3,344,561 | \$3,302,439 | 1,624 | 2,469 | 0.19 | 0.30 | 32 | (877) | (845) | |
| Money market accounts | 6,937,943 | 6,961,753 | 5,794 | 12,476 | 0.33 | 0.71 | (42) | (6,640) | (6,682) | |
| Savings deposits | 557,086 | 521,604 | 145 | 173 | 0.10 | 0.13 | 12 | (40) | (28) | |
| Time deposits | 4,761,260 | 7,097,740 | 13,581 | 27,536 | 1.13 | 1.54 | (9,045) | (4,910) | (13,955) | |
| Federal funds purchased and securities sold under repurchase agreements | 350,183 | 368,311 | 155 | 256 | 0.17 | 0.28 | (12) | (89) | (101) | |
| Long-term debt | 1,372,741 | 1,693,673 | 14,032 | 10,456 | 4.09 | 2.45 | (1,993) | 5,569 | 3,576 | |
| Total interest-bearing liabilities | 17,323,774 | 19,945,520 | 35,331 | 53,366 | 0.81 | 1.06 | (11,048) | (6,987) | (18,035) | |
| Non-interest bearing deposits | 5,560,827 | 5,175,521 | | | | | | | | |
| Other liabilities | 221,967 | 247,470 | | | | | | | | |
| Shareholders' equity | 2,879,994 | 2,887,052 | | | | | | | | |
| Total liabilities and equity | \$25,986,562 | \$28,255,563 | | | | | | | | |
| Net interest income/margin | | | 213,107 | 229,483 | 3.51 % | 3.47 % | | | | |
| Taxable equivalent adjustment | | | 761 | 880 | | | | | | |
| Net interest income, actual | | | \$213,868 | \$230,363 | | | 4,144 | (20,522) | (16,378) | |

- (1) Average loans are shown net of unearned income. Non-performing loans are included. Interest income includes fees as follows: 2012 - \$5.2 million, 2011 - \$4.5 million.
- (2) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35% in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.
- (3) Includes average net unrealized gains (losses) on investment securities available for sale of \$67.7 million and \$122.0 million for the three months ended September 30, 2012 and 2011, respectively.

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Market Risk Analysis

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

Anticipated deposit mix changes in each interest rate scenario are also included in the periods modeled. Projected rates for loans and deposits are based on management's outlook and local market conditions.

Synovus has modeled its baseline net interest income forecast assuming a flat interest rate environment with the federal funds rate at the Federal Reserve's current targeted range of 0% to 0.25% and the current prime rate of 3.25%.

Due to the targeted federal funds rate being at or near 0% at this time, only rising rate scenarios have been modeled.

Synovus has modeled the impact of a gradual increase in short-term rates of 100 and 200 basis points to determine the sensitivity of net interest income for the next twelve months. Synovus continues to maintain a modestly asset sensitive position which would be expected to benefit net interest income in a rising interest rate environment. The following table represents the estimated sensitivity of net interest income to these changes in short term interest rates at September 30, 2012, with comparable information for December 31, 2011.

| Change in Short-term Interest Rates (in basis points) | Estimated % Change in Net Interest Income as Compared to Unchanged Rates (for the next twelve months) | |
|---|---|-------------------|
| | September 30, 2012 | December 31, 2011 |
| +200 | 2.1% | 2.7% |
| +100 | 1.6 | 2.0 |
| Flat | —% | —% |

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

| Change in Short-term Interest Rates (in basis points) | As of September 30, 2012 | |
|---|--------------------------|--|
| | Base Scenario | 15% Increase in Average Repricing Beta |
| +200 | 2.1% | 1.6% |
| +100 | 1.6% | 1.0% |

While all of the above estimates are reflective of the general interest rate sensitivity of Synovus, local market conditions and their impact on loan and deposit pricing would be expected to have a significant impact on the realized level of net interest income. Actual realized balance sheet growth and mix would also impact the realized level of net interest income.

ADDITIONAL DISCLOSURES

Other Contingencies

Repurchase Obligations for Mortgage Loans Originated for Sale

Financial institutions have experienced a dramatic increase in the number of repurchase demands they received, including from government sponsored enterprises, mortgage insurers, and other purchasers of residential

mortgage-backed securitizations, generally due to findings of underwriting deficiencies in the mortgage origination process and in the packaging of mortgages by certain mortgage lenders. Also, foreclosure practices of financial institutions nationwide came under scrutiny due to the discovery of questionable residential foreclosure procedures of certain large financial institutions. The current focus in foreclosure practices of financial institutions nationwide led Synovus to evaluate its foreclosure process related to home equity and consumer mortgage loans within its loan portfolio. Based on information currently available, management believes that it does not have significant

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exposure to contingent losses that may arise relating to the representations and warranties that it has made in connection with its mortgage loan sales. See "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 Synovus' 2011 Form 10-K.

Residential mortgage loans originated by Synovus Mortgage are sold to third-party GSEs and non-GSE purchasers on a non-recourse basis and on a servicing released basis. These loans are originated and underwritten internally by Synovus personnel and are primarily to borrowers in Synovus' geographic market footprint.

Each GSE and non-GSE purchaser 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 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 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 all interest and fees due or make the purchaser whole for the economic benefits of the loan.

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 September 30, 2012, Synovus Mortgage originated and sold approximately \$6.85 billion of first lien GSE eligible mortgage loans and approximately \$3.02 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 \$6.1 million and \$2.0 million for the nine months ended September 30, 2012 and 2011, respectively and \$2.5 million and \$772 thousand for the three months ended September 30, 2012 and 2011, respectively. The total accrued liability related to mortgage repurchase claims was \$5.5 million and \$3.3 million, at September 30, 2012 and December 31, 2011, respectively. Synovus Mortgage sold approximately 25% of its loans originated in the 2005 through 2008 period to certain financial institutions who have settled litigation with the GSE who purchased, held and securitized the mortgages. This settlement ultimately limits Synovus' exposure to repurchases and make whole requests during the origination years 2005 through 2008. Synovus' exposure is further reduced by the limited third party originations during the 2005 through 2008 periods, the origination of loans primarily within Synovus' five state footprint, and the fact that less than 11% of Synovus Mortgage's loan originations were low or no documentation loans.

Mortgage Loan Foreclosure Practices

At September 30, 2012 and December 31, 2011, Synovus had \$2.97 billion and \$3.03 billion, respectively of home equity and consumer mortgage loans which are secured by first and second liens on residential properties. Of the amounts at September 30, 2012, approximately \$417 million and \$472 million, respectively, consists of mortgages relating to properties in Florida and South Carolina which are states in which foreclosures proceed through the courts. Of the amounts at December 31, 2011, approximately \$406 million and \$485 million, respectively, consists of mortgages relating to properties in Florida and South Carolina which are states in which foreclosures proceed through the courts. To date, foreclosure activity in the home equity and consumer mortgage loan portfolio has been low. Any foreclosures on these loans are handled by designated Synovus personnel and external legal counsel, as appropriate, following established policies regarding legal and regulatory requirements. Based on information currently available, management believes that it does not have significant exposure related to our foreclosure practices. See "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" in Synovus' 2011 Form 10-K.

Recently Issued Accounting Standards

See Note 1 of the notes to the unaudited interim consolidated financial statements for a discussion of recently issued accounting standards updates.

Critical Accounting Policies

The accounting and financial reporting policies of Synovus conform to GAAP and to general practices within the banking and financial services industries. Synovus has identified certain of its accounting policies as “critical accounting policies.” In determining which accounting policies are critical in nature, Synovus has identified the policies that require significant judgment or involve complex estimates. It is management's practice to discuss critical accounting policies with the Board of Directors' Audit Committee, including the development, selection, and disclosure of the critical accounting policies. The application of these policies has a significant impact on Synovus' unaudited interim consolidated financial statements. Synovus' financial results could differ significantly if different judgments or estimates are applied in the application of these policies. All accounting policies described in Note 1 ("Summary of Significant Accounting Policies") in Synovus' 2011 Form 10-K should be reviewed for a greater

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understanding of how we record and report our financial performance. Synovus made no significant changes in its critical accounting policies from those disclosed in Synovus' 2011 Form 10-K.

Non-GAAP Financial Measures

The measures entitled pre-tax, pre-credit costs income; non-interest income excluding investment securities gains, net; core expenses; net sequential quarter loan growth (decline); core deposits; core deposits excluding time deposits; the tangible common equity to tangible assets ratio; tangible book value per common share; and the tangible common equity to risk-weighted assets are not measures recognized under U.S. GAAP and therefore are considered non-GAAP financial measures. The most comparable GAAP measures are income (loss) before income taxes; total non-interest income; total non-interest expense; sequential quarter total loan growth (decline); total deposits, the ratio of total common shareholders' equity to total assets, book value per common share; and the ratio of total common shareholders' equity to risk-weighted assets, respectively.

Management uses these non-GAAP financial measures to assess the performance of Synovus' core business and the strength of its capital position. Synovus believes that these non-GAAP financial measures provide meaningful additional information about Synovus to assist investors in evaluating Synovus' operating results, financial strength and capital position. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures at other companies. Pre-tax, pre-credit costs income is a measure used by management to evaluate core operating results exclusive of credit costs as well as certain non-core income and expenses such as investment securities gains and restructuring charges. Non-interest income excluding investment securities gains, net is a measure used by management to evaluate non-interest income exclusive of net investment securities gains. Core expenses are measures used by management to gage the success of expense management initiatives focused on reducing recurring controllable operating costs. Net sequential quarter loan growth (decline) is a measure used by management to evaluate organic loan growth. Core deposits and core deposits excluding time deposits are measures used by management to evaluate organic growth of deposits and the quality of deposits as a funding source. The tangible book value per common share is a measure used by management and investment analysts to evaluate the fair value of Synovus' common stock. The tangible common equity to tangible assets ratio and the tangible common equity to risk-weighted assets ratio are used by management and investment analysts to assess the strength of Synovus' capital position. The computations of these measures are set forth in the table below.

Reconciliation of Non-GAAP Financial Measures

| (dollars in thousands, except per share data) | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|------------------------------------|-----------|-------------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Pre-tax, Pre-credit Costs Income | | | | |
| Income (loss) before income taxes | \$103,777 | (86,510 |) 30,514 | 37,118 |
| Add: Provision for loan losses | 173,843 | 364,230 | 63,572 | 102,325 |
| Add: Other credit costs ⁽¹⁾ | 73,014 | 113,330 | 22,046 | 40,211 |
| Add: Restructuring charges | 3,444 | 30,026 | 1,192 | 2,587 |
| Add: Visa indemnification charges | 5,546 | 96 | 833 | — |
| Less: Investment securities gains, net | (30,909 |) (64,670 |) (6,656 |) (62,873 |
| Less: Loss on curtailment of post-retirement benefit | — | (398 |) — | — |
| Pre-tax, pre-credit costs income | \$328,715 | 356,104 | 111,501 | 119,368 |
| Non-interest Income Excluding Investment Securities Gains, Net | | | | |
| Total non-interest income | \$233,849 | 265,405 | 73,233 | 133,392 |
| Less: Net investment securities gains | (30,909 |) (64,670 |) (6,656 |) (62,873 |
| | \$202,940 | 200,735 | 66,577 | 70,519 |

Non-interest income excluding investment securities
gains, net

Core Expenses

| | | | | |
|--|------------|------------|-----------|-----------|
| Total non-interest expense | \$ 602,890 | 684,683 | 191,492 | 222,552 |
| Less: Other credit costs ⁽¹⁾ | (73,014 |) (113,330 |) (22,046 |) (40,211 |
| Less: Restructuring charges | (3,444 |) (30,026 |) (1,192 |) (2,587 |
| Less: Loss on curtailment of post-retirement benefit | — | 398 | — | — |
| Less: Visa indemnification charges | (5,546 |) (96 |) (833 |) — |
| Core expenses | \$ 520,886 | 541,629 | 167,421 | 179,754 |

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| (dollars in thousands, except per share data) | September 30, 2012 | June 30, 2012 | December 31, 2011 | September 30, 2011 |
|--|-----------------------|---------------|----------------------|-----------------------|
| Net Sequential Quarter Loan Growth (Decline) | | | | |
| Sequential quarter increase (decline) in total loans | \$51,738 | (163,571) | (22,273) | (402,724) |
| Add: Transfers to other loans held for sale | 712 | 38,999 | 3,457 | 16,004 |
| Add: Foreclosures | 42,961 | 30,087 | 36,331 | 57,859 |
| Add: Charge-offs excluding transfers to other loans held for sale and loan sales | 74,400 | 53,075 | 78,443 | 87,660 |
| Add: Loan sales | 69,752 | 70,590 | 70,808 | 109,140 |
| Net sequential quarter loan growth (decline) | \$239,563 | 29,180 | 166,766 | (132,061) |
| Core Deposits and Core Deposits Excluding Time Deposits | | | | |
| Total deposits | \$20,846,830 | 21,565,065 | 22,411,752 | 23,109,427 |
| Brokered deposits | (919,959) | (1,148,892) | (1,783,174) | (2,157,631) |
| Core deposits | 19,926,871 | 20,416,173 | 20,628,578 | 20,951,796 |
| Time deposits | (3,771,117) | (4,097,834) | (4,591,164) | (4,952,144) |
| Core deposits excluding time deposits | \$16,155,754 | 16,318,339 | 16,037,414 | 15,999,652 |
| Tangible Common Equity Ratios | | | | |
| Total risk-weighted assets | \$21,443,178 | 21,146,174 | 21,486,822 | 21,372,114 |
| Total assets | 25,764,644 | 26,294,110 | 27,162,845 | 28,253,923 |
| Goodwill | (24,431) | (24,431) | (24,431) | (24,431) |
| Other intangible assets, net | (5,895) | (6,693) | (8,525) | (9,482) |
| Tangible assets | \$25,734,318 | 26,262,986 | 27,129,889 | 28,220,010 |
| Total shareholders' equity | \$2,875,700 | 2,853,389 | 2,827,452 | 2,829,447 |
| Goodwill | (24,431) | (24,431) | (24,431) | (24,431) |
| Other intangible assets, net | (5,895) | (6,693) | (8,525) | (9,482) |
| Cumulative perpetual preferred stock | (954,690) | (952,093) | (947,017) | (944,538) |
| Tangible common equity | \$1,890,684 | 1,870,172 | 1,847,479 | 1,850,996 |
| Tangible equity units | (260,084) | (260,084) | (260,084) | (260,122) |
| Tangible common equity excluding tangible equity units | \$1,630,600 | 1,610,088 | 1,587,395 | 1,590,874 |
| Common shares outstanding | 786,576 | 786,576 | 785,295 | 785,280 |
| Book value per common share | \$2.11 | 2.09 | 2.06 | 2.07 |
| Tangible book value per common share | 2.07 | 2.05 | 2.02 | 2.03 |
| Total shareholders' equity to total assets ratio | 11.16 | % 10.85 | 10.41 | 10.01 |
| Tangible common equity to tangible assets ratio | 7.35 | 7.12 | 6.81 | 6.56 |
| Tangible common equity to risk-weighted assets ratio | 8.82 | 8.84 | 8.60 | 8.66 |

(1) Other credit costs consist primarily of foreclosed real estate expense, net, provision for losses on unfunded commitments, and charges related to other loans held for sale.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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ITEM 4 – CONTROLS AND PROCEDURES

In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by Synovus' management, with the participation of Synovus' Chief Executive Officer and Chief Financial Officer, of the effectiveness of Synovus' disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on that evaluation, Synovus' Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2012, Synovus' disclosure controls and procedures were effective.

Synovus regularly engages in productivity and efficiency initiatives to streamline operations, reduce expenses, and increase revenue. Additionally, investment in new and updated information technology systems has enhanced information gathering and processing capabilities; and allowed management to operate in a more centralized environment for critical processing and monitoring functions. Management of Synovus is responsible for identifying, documenting, and evaluating the adequacy of the design and operation of the controls implemented during each process change described above. There have been no material changes in Synovus' internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, Synovus' internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

Synovus and its subsidiaries are subject to various legal proceedings 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 Note 13 Legal Proceedings of the Notes to the unaudited interim consolidated financial statements in Part I- Item 1 of this Report, which Note is incorporated in this Part II - Item 1 by this reference.

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this Report, you should carefully consider the risks discussed in Part I under the caption “Item 1A. Risk Factors” in Synovus' 2011 Form 10-K, which could materially affect our business, financial position, results of operations or cash flows or future results. The risks described in our 2011 Form 10-K are not the only risks facing Synovus. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, results of operations or cash flows or future results.

Other than the risks set forth below, there were no material changes during the period covered by this Report to the risks previously disclosed in Synovus' 2011 Form 10-K.

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 2009, 2010 and 2011, we completed sales of approximately \$1.2 billion, \$1.2 billion and \$703 million, respectively, of distressed assets, and we sold approximately \$373 million of distressed assets during the nine-month period ended September 30, 2012. As a part of our overall continued efforts to reduce distressed assets, we expect that we may continue our sales of distressed assets through the end of 2012 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. 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.

Potential future losses may result in an additional valuation allowance in respect of our deferred tax assets. Our ability to reverse any valuation allowance, and recapture the deferred tax asset balance, is subject to considerable judgment and could be adversely impacted by our future performance, as well as any changes in future income tax rates.

During 2009, Synovus reached a three-year cumulative pre-tax loss position. See Note 25 of Notes to Consolidated Financial Statements in Synovus' 2011 Form 10-K and Note 12 of the Notes to the Unaudited Interim Consolidated

Financial Statements in this Report. Under GAAP, cumulative losses in recent years are considered significant negative evidence, which is difficult to overcome, in assessing the realizability, and thus the carrying value of a deferred tax asset. As a result, beginning with the second quarter of 2009, Synovus no longer considers future taxable income in determining the realizability of its deferred tax assets.

With continued positive improvements in credit quality and with further continuance of profitable operating results, along with appropriate confidence levels and expectations for achieving forecasted profitability and consideration of all other appropriate positive and negative evidence, management currently believes that substantially all of the \$787.1 million deferred tax asset

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valuation allowance may be reversed as early as the end of the fourth quarter of 2012, and should be reversed no later than the end of the second quarter of 2013. Additionally, Synovus currently expects that approximately \$30 to \$35 million of its net deferred tax assets will expire before they can be realized. The majority of these deferred tax assets relate to state income tax credits that have various expiration dates through the tax year 2017. The reversal of the valuation allowance is subject to considerable judgment, and we cannot assure you that the timing of the valuation allowance reversal will not be delayed beyond the second quarter of 2013 if we experience additional losses or further deterioration in credit quality or negative trends in overall credit risk in future periods. Additionally, even after the recovery of the deferred tax asset balance under GAAP, which would immediately benefit our level of capital under GAAP, there will remain limitations on the ability to include the deferred tax assets for regulatory capital purposes. See “Income Tax Expense” under “Part I - Item 2. Management’s Discussion and Analysis of Operating Results and Financial Condition” of this Report.

Several recent legislative proposals have each called for lowering the current 35% corporate income tax rate. If the corporate income tax rate is lowered, it would reduce the value of the deferred tax assets that are subject to recovery. We have not repaid our TARP funds, and regulatory initiatives applicable to financial institutions in general and TARP recipients in particular 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.

As of September 30, 2012, we have \$967.8 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. We continue to actively review and consider strategies for repaying our TARP funds, and we presently intend to identify and pursue one or more of those repayment strategies during 2013.

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 “Item 1-Business-“Actions by Federal and State Regulators” and “-Supervision, Regulation and Other Factors” in our 2011 Form 10-K.

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 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. Finally, 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.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

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ITEM 6 – EXHIBITS

| Exhibit Number | Description |
|-------------------|---|
| 3.1 | Amended and Restated Articles of Incorporation of Synovus, as amended, incorporated by reference to Exhibit 3.1 of Synovus' Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, as filed with the SEC on August 9, 2010. |
| 3.2 | Bylaws, as amended, of Synovus, incorporated by reference to Exhibit 3.1 of Synovus' Current Report on Form 8-K dated November 8, 2010, as filed with the SEC on November 9, 2010. |
| 4.1 | Shareholder Rights Plan, dated as of April 26, 2010, between Synovus Financial Corp. and Mellon Investor Services LLC, as Rights Agent, which includes the Form of Articles of Amendment to the Articles of Incorporation of Synovus Financial Corp. (Series B Participating Cumulative Preferred Stock) as Exhibit A, the Summary of Terms of the Rights Agreement as Exhibit B and the Form of Right Certificate as Exhibit C, incorporated by reference to Exhibit 4.1 of Synovus' Current Report on Form 8-K dated April 26, 2010, as filed with the SEC on April 26, 2010. |
| 4.2 | Amendment No. 1 dated as of September 6, 2011 to Shareholder Rights Plan between Synovus Financial Corp. and American Stock Transfer & Trust Company, LLC, incorporated by reference to Exhibit 4.1 of Synovus' Current Report on Form 8-K dated September 6, 2011, as filed with the SEC on September 6, 2011. |
| 12.1 | Ratio of Earnings to Fixed Charges. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Interactive Data File |

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SIGNATURES

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

SYNOVUS FINANCIAL CORP.

November 9, 2012
Date

By: /s/ Thomas J. Prescott
Thomas J. Prescott
Executive Vice President and Chief Financial Officer