

SYNOVUS FINANCIAL CORP
Form 10-K
February 28, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013
Commission file number 1-10312

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

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

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

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

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

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

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

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

YES NO

As of June 30, 2013, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately \$2,483,319,017 based on the closing sale price of \$2.92 reported on the New York Stock Exchange on June 28, 2013.

As of February 13, 2014, there were 972,411,548 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Incorporated Documents	Form 10-K Reference Locations
Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held April 23, 2014 ("Proxy Statement")	Part III

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SYNOVUS FINANCIAL CORP.

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2013 Notes – Synovus' outstanding 4.875% Senior Notes due February 15, 2013
2017 Notes - Synovus' outstanding 5.125% Senior Notes due February 15, 2017
2019 Senior Notes – Synovus' outstanding 7.875% Senior Notes due February 15, 2019
ALCO – Synovus' Asset Liability Management Committee
ALL – allowance for loan losses
ARRA – American Recovery and Reinvestment Act of 2009
ASC – Accounting Standards Codification
ASU – Accounting Standards Update
AUM – assets under management
Basel III – a global regulatory framework developed by the Basel Committee on Banking Supervision
BHC – bank holding company
BSA/AML – Bank Secrecy Act/Anti-Money Laundering
BOV – broker's opinion of value
bp – basis point (bps - basis points)
CCC – central clearing counterparty
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
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
DIF – Deposit Insurance Fund
Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act
DRR – Dual Risk Rating
DTA – deferred tax asset
EBITDA – earnings before interest, depreciation and amortization
EESA – Emergency Economic Stabilization Act of 2008

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EL – expected loss

Exchange Act – Securities Exchange Act of 1934, as amended

FASB – Financial Accounting Standards Board

FDIC – Federal Deposit Insurance Corporation

Federal Reserve Bank – The 12 banks that are the operating arms of the U.S. central bank. They implement the policies of the Federal Reserve Board and also conduct economic research.

Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System, establishes monetary policy (interest rates, credit, etc.), and monitors the economic health of the country. Its members are appointed by the President subject to Senate confirmation, and serve 14-year terms.

Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure.

FHLB – Federal Home Loan Bank

FICO – Fair Isaac Corporation

FIN – Financial Interpretation

FinCEN – The Treasury's financial crimes enforcement network

Financial Stability Plan – A plan established under the EESA which is intended to further stabilize financial institutions and stimulate lending across a broad range of economic sectors

FINRA – Financial Industry Regulatory Authority

FFIEC – Federal Financial Institutions Examination Council

GA DBF – Georgia Department of Banking and Finance

GAAP – Generally Accepted Accounting Principles in the United States of America

GDP – gross domestic product

Georgia Commissioner – Banking Commissioner of the State of Georgia

GSE – government sponsored enterprise

HAP – Home Affordability Program

HELOC – home equity lines of credit

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

MBS – mortgage-backed securities

MOU – Memorandum of Understanding

nm – not meaningful

NOL – net operating loss

NPA – non-performing assets

NPL – non-performing loans

NSF – non-sufficient funds

NYSE – New York Stock Exchange

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OCI – other comprehensive income
OFAC – Office of Foreign Assets Control
ORE – other real estate
ORM – Operational Risk Management
OTTI – other-than-temporary impairment
Parent Company – Synovus Financial Corp.
PD – probability of default
POS – point-of-sale
RCSA – Risk Control Self-Assessment
Rights Plan – Synovus' Shareholder Rights Plan dated April 26, 2010, as amended
SAB – SEC Staff Accounting Bulletin
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
Series C Preferred Stock – Synovus' Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, \$25 liquidation preference
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' 2013 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2013
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
USA PATRIOT Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
VIE – variable interest entity, as defined in ASC 810-10
Visa – The Visa U.S.A. Inc. card association or its affiliates, collectively
Visa Class B shares – Class B shares of Common Stock issued by Visa which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled
Visa Derivative – A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the purchaser and Synovus based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares
Visa IPO – The IPO of shares of Class A Common Stock by Visa, Inc. on March 25, 2008
Warrant – Issued to the Treasury by Synovus, a warrant to purchase up to 15,510,737 shares of Synovus Common Stock at an initial per share exercise price of \$9.36

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Part I

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

FORWARD-LOOKING STATEMENTS

Certain statements made or incorporated by reference in this Report which are not statements of historical fact, including those under “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this Report, constitute forward-looking statements within the meaning of, and subject to the protections of, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements include statements with respect to Synovus' beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, many of which are beyond Synovus' control and which may cause Synovus' actual results, performance or achievements or the commercial banking industry or economy generally, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

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

- (1) the risk that competition in the financial services industry may adversely affect our future earnings and growth;
- (2) the risk that we may not realize the expected benefits from our efficiency and growth initiatives, which will negatively affect our future profitability;
- (3) the risk that we may be required to make substantial expenditures to keep pace with the rapid technological changes in the financial services market;
- (4) the risk that our enterprise risk management framework may not identify or address risks adequately, which may result in unexpected losses;
- (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 risk that any future economic downturn could have a material adverse effect on our capital, financial condition, results of operations and future growth;
the risk that we could realize additional losses if our levels of non-performing assets increase and/or if we
- (7) determine to sell certain non-performing assets and the proceeds we receive are lower than the carrying value of such assets;
- (8) 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;
- (9) the risk that if we pursue acquisitions in the future as part of our growth strategy, we may not be able to complete such acquisitions or successfully integrate bank or nonbank acquisitions into our existing operations;
risks related to a failure in or breach of our operational or security systems of our infrastructure, or those of our
- (10) 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;

- risks related to our reliance on third parties to provide key components of our business infrastructure, including
- (11) the costs of services and products provided to us by third parties, and risks related to disruptions in service or financial difficulties of a third-party vendor;
the impact on our financial results, reputation, and business if we are unable to comply with all applicable federal
 - (12) and state regulations, board resolutions adopted at the request of our regulators, or other supervisory actions or directives and any necessary capital initiatives;
the impact of the Dodd-Frank Act and other recent and proposed changes in governmental policy, laws and
 - (13) regulations, including proposed and recently enacted changes in the regulation of banks and financial institutions, or the interpretation or application thereof, including restrictions, increased capital requirements, limitations and/or penalties arising from banking, securities and insurance laws, enhanced regulations and examinations and restrictions on compensation;
 - (14) the risks that if economic conditions worsen or regulatory capital rules are modified, or the results of mandated “stress testing” do not satisfy certain criteria, we may be required to undertake additional strategic initiatives to improve our capital

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position;

- (15) changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which we are perceived in such markets, including a further reduction in our credit ratings;
- (16) the impact on our borrowing costs, capital costs and our liquidity due to our status as a non-investment grade issuer;
restrictions or limitations on access to funds from historical and alternative sources of liquidity could adversely
- (17) affect our overall liquidity, which could restrict our ability to make payments on our obligations and our ability to support asset growth and sustain our operations and the operations of Synovus Bank;
- (18) the risk that we may be unable to pay dividends on our Common Stock or Series C Preferred Stock;
- (19) the risk that for our deferred tax assets, we may be required to increase the valuation allowance in future periods, or we may not be able to realize the deferred tax assets in the future.
the risk that we could have an “ownership change” under Section 382 of the IRC, which could impair our ability to
- (20) timely and fully utilize our net operating losses and built-in losses that may exist when such “ownership change” occurs;
risks related to recent and proposed changes in the mortgage banking industry, including the risk that we may be
- (21) required to repurchase mortgage loans sold to third parties and the impact of the “ability to pay” and “qualified mortgage” rules on our loan origination process and foreclosure proceedings;
- (22) the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments related thereto;
- (23) risks related to the fluctuation in our stock price;
- (24) the effects of any damages to Synovus' reputation resulting from developments related to any of the items identified above; and
other factors and other information contained in this Report and in other reports and filings that we make with the
- (25) SEC under the Exchange Act, including, without limitation, those found in "Part I - Item 1A.- Risk Factors" of this Report.

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

ITEM 1. BUSINESS

Overview

General

Synovus Financial Corp. is a financial services company and a registered bank holding company headquartered in Columbus, Georgia. We provide integrated financial services including commercial and retail banking, financial management, insurance and mortgage services to our customers through 28 locally-branded banking divisions of our wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida and Tennessee.

Our relationship-driven community banking model is built on creating long-term relationships with our customers. This relationship banking approach allows our bankers to serve their customers' individual needs and demonstrates our commitment to the communities in which we operate. We believe that these factors position us to take advantage of future growth opportunities in our existing markets.

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

Our Common Stock is traded on the New York Stock Exchange under the symbol “SNV.”

2013 Business Highlights

During 2013, Synovus achieved significant accomplishments as we continued to recover from a challenging economy, the most significant of which was the redemption of our TARP obligations. Our key achievements during 2013 include the following:

TARP redemption - We redeemed our obligations under TARP on July 26, 2013. Over two-thirds of the TARP redemption was funded by internally available funds, with the balance of the redemption funded by net proceeds of a \$185 million Common Stock offering and \$130 million Series C Preferred Stock offering.

Continued profitability - We reported net income for the years ended December 31, 2013 and December 31, 2012 of \$118.6 million and \$771.5 million, respectively. Results for the year ended December 31, 2012 include an income tax

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benefit of \$798.7 million which was primarily due to the reversal of the deferred tax asset valuation allowance. Pre-tax earnings were \$252.6 million for the year ended December 31, 2013 compared to pre-tax earnings of \$31.5 million for the year ended December 31, 2012. Total credit costs declined significantly during 2013 and drove the pre-tax earnings improvement for the year.

Loan growth - Reported loans grew by \$516.1 million or 2.6% from a year ago. Excluding the impact of transfers to loans held for sale, charge-offs, and foreclosures, net loan growth was \$862.3 million during 2013, compared to net loan growth of \$588.8 million in 2012. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures" of this Report for further information.

Continued broad-based improvement in credit quality - We continued to improve our credit quality metrics.

Non-performing assets declined \$163.4 million, or 23.2%, from December 31, 2012. Our NPA ratio was 2.67% as of December 31, 2013 compared to 3.57% a year ago. Additionally, credit costs declined by 72.7% to \$118.0 million and the net charge-off ratio declined to 0.69% compared to 2.45% in 2012.

Continued focus on expense control - We continued to lower expenses. Total reported non-interest expenses for 2013 decreased \$74.7 million, or 9.2% from 2012 non-interest expenses of \$816.2 million. Adjusted non-interest expense declined \$21.8 million, or 3.1% from 2012. This reduction follows a \$25.1 million reduction in adjusted non-interest expense for 2012 and a \$95.3 million reduction for 2011. See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures" in our 2013 Annual Report for further information.

In addition to these steps to improve operating and financial performance, Synovus continued its emphasis on improving the customer experience for retail and commercial customers. In January 2014, Synovus received 20 national Customer Service Excellence Awards from the 2013 Greenwich Associates Excellence in Middle Market and Small Business Banking program, including recognition in the categories of overall satisfaction, likelihood to recommend, relationship manager performance, personal banking branch satisfaction and customer service. Management believes that these accomplishments provide momentum for long-term, sustained profitability and growth in 2014 and future periods.

Additional information relating to our business and our subsidiaries, including a detailed description of our operating results and financial condition for 2013, 2012 and 2011, our loan portfolio (by loan type and geography), our credit quality metrics and our deposits is contained below and under "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Report.

Banking Operations

Synovus conducts its banking operations through Synovus Bank. Synovus Bank is a Georgia state-chartered bank. Synovus Bank operates through 28 locally-branded bank divisions throughout Alabama, Florida, Georgia, South Carolina and Tennessee. Synovus Bank offers commercial banking services and retail banking services. Our commercial banking services include cash management, asset management, capital markets services, institutional trust services and commercial, financial and real estate loans. Our retail banking services include accepting customary types of demand and savings deposits accounts; mortgage, installment and other retail loans; investment and brokerage services; safe deposit services; automated banking services; automated fund transfers; Internet based banking services; and bank credit card services, including MasterCard and Visa services.

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As of December 31, 2013, Synovus Bank operated under the following 29 locally-branded bank divisions in the following states:

Table 1 – Bank Divisions	State(s)
CB&T Bank of East Alabama	Alabama
Community Bank & Trust of Southeast Alabama	Alabama
The Bank of Tuscaloosa	Alabama
Sterling Bank	Alabama
First Commercial Bank of Huntsville	Alabama
First Commercial Bank	Alabama
The First Bank of Jasper	Alabama
The Tallahassee State Bank	Florida
Coastal Bank and Trust of Florida	Florida
First Coast Community Bank	Florida
Synovus Bank	Florida
Synovus Bank of Jacksonville	Florida
Columbus Bank and Trust Company	Georgia
Commercial Bank	Georgia
Commercial Bank & Trust Company of Troup County	Georgia
SB&T Bank	Georgia
The Coastal Bank of Georgia	Georgia
First State Bank and Trust Company of Valdosta	Georgia
First Community Bank of Tifton	Georgia