

Dodd-Frank Act Stress Test Results

October 20, 2017

Overview

Synovus Financial Corp. (Synovus or the Company) regularly evaluates financial and capital forecasts under various economic scenarios as part of its enterprise-wide stress testing and capital planning process.

As a component of its overall stress testing program, Synovus is required to conduct an annual stress test pursuant to the [Supervisory Guidance on Dodd-Frank Act \(DFA\) Company-Run Stress Testing for Banking Organizations with Total Consolidated Assets of More than \\$10 Billion but Less Than \\$50 Billion](#). The Company completed its Dodd-Frank Act Stress Test (DFAST) process earlier this year and, as required, submitted the results to its supervisory regulatory agencies prior to the July 31, 2017 deadline.

For the above DFAST submission, the Board of Governors of the Federal Reserve System (Federal Reserve) provided three hypothetical economic scenarios – Baseline, Adverse, and Severely Adverse. The Company then estimated the impact to its financial performance and capital position under the economic conditions prescribed in the three scenarios. The stress tests cover the nine-quarter period beginning in the first quarter of 2017 through the first quarter of 2019 (the Planning Horizon). These hypothetical scenarios do not represent forecasts of anticipated economic conditions. Similarly, the stress test results are not forecasts of expected losses, revenues, net income before taxes, or capital ratios.

The results of the DFAST analyses demonstrate that Synovus possesses the financial resources to maintain well capitalized status throughout the Planning Horizon in a severely adverse economic downturn. The economic scenario provided by the Federal Reserve is outlined in the following section.

As required by applicable regulatory requirements, this disclosure summarizes the annual Company-run stress tests results based on the Severely Adverse scenario.

For information regarding Synovus’ actual financial condition, including current capital position, please refer to Synovus’ filings with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2016 and quarterly reports on Form 10-Q.

Dodd-Frank Act Stress Test Assumptions

The Severely Adverse scenario is not a forecast of expected conditions. It is a hypothetical scenario designed by the Federal Reserve to help assess the strength of banking organizations and their resilience to severely adverse economic conditions. Consequently, the scenario depicts economic conditions that are more adverse than general expectations. General expectations are more consistent with the Baseline scenario provided by the Federal Reserve in the following publication entitled, [2017 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and Capital Planning Rules](#). According to the publication released February 10, 2017, “The Severely Adverse scenario is characterized by a severe global recession, accompanied by a period of heightened stress in corporate loan markets and commercial real estate markets.” Highlights of some key metrics are included in the following table:

Highlights: Severely Adverse Scenario Start-to-Trough Change

	DFAST 2017	DFAST 2016	Great Recession ¹
Real GDP	(6.4%)	(6.3%)	(4.2%)
Unemployment (peak)	10.0%	10.0%	9.9%
House Prices	(25.1%)	(25.0%)	(32.1%)
Commercial Real Estate Prices	(34.7%)	(30.0%)	(40.4%)
Stock Prices	(48.7%)	(50.0%)	(47.5%)

(1) Great Recession period began 4Q07

Description of the Types of Risks Included in the Stress Test

As a financial services organization, Synovus accepts certain risks as an ongoing component of business management. Risk identification and management are a critical component of prudent business practice. Risk management does not eliminate risk but seeks to achieve an appropriate balance between risk and return in meeting the needs and expectations of shareholders, customers, and regulators. The Company must also ensure that appropriate levels of capital are maintained to mitigate the impact of potential adverse outcomes related to the risk borne by the organization.

The stress test results that incorporate risks such as those outlined in this section are monitored and evaluated by Synovus on an enterprise-wide basis for proactive risk management. Policies, practices, and strategies incorporate forward-looking results from the stress testing and capital planning activities to maintain acceptable risks defined by the Synovus Board of Directors. Those risks have been identified as follows:

Credit Risk

Credit risk is the risk of loss arising from our borrowers or counterparties' inability to meet the financial terms of any contract with the Company, or other failure to perform as agreed.

Market and Interest Rate Risk

Market and interest rate risks reflect the risk of economic loss resulting from adverse changes in market prices and interest rates. This risk of loss can be reflected in either diminished market values or reduced current and potential net income.

Liquidity Risk

Liquidity risk arises from the inability of the Company to meet current or future obligations as they come due without incurring unacceptable losses.

Compliance Risk

Compliance risk arises from nonconformance with laws, rules, and regulations that apply to the financial services industry and exposes the Company to monetary penalties, enforcement actions, or other sanctions

Model Risk

Model risk arises from the inherent uncertainty related to projections. Risk can increase with improper application or misinterpretation of results.

Strategic Risk

Strategic risk arises from deviations in execution of planned actions, changing environments, or other influences. This can impact financial performance as well as other risks, including compliance, reputational, and operational.

Operational and Other Risks

Operational and other risks arise from the potential that inadequate information systems, operational problems, inadequate or failed internal controls, human error, fraud, or external events will result in unexpected losses.

Description of Methodologies Used for Stress Testing

To support the assessments used to create the DFAST projections, Synovus utilized multiple forms of quantitative and qualitative analyses, including regression-based econometric and driver-based modeling, historical trend analyses, as well as qualitative considerations drawn from the Company's specific experience and expertise. The hypothetical macroeconomic scenario variables provided by the Federal Reserve serve as key inputs in the Company's stress test methodologies, impacting specific balance sheet and income statement items, which include loan losses and resulting capital ratios throughout the Planning Horizon.

The Company employs an effective challenge process where model methodologies and outcomes are reviewed and challenged by multiple internal governing bodies with oversight of the Company's capital planning and stress testing. The challenge sessions occur throughout the stress test process at multiple organizational levels, including Executive Management and the Board of Directors. The resulting models and methodologies are also evaluated through rigorous, independent model validations.

Summary of Results for Synovus Financial Corp.

At December 31, 2016, Synovus' consolidated total assets were \$30.1 billion. Synovus' wholly-owned subsidiary, Synovus Bank, had \$29.9 billion in total assets. Stress testing methodologies and processes are consistent for both entities.

Severely Adverse Scenario Provided by the Federal Reserve Projected Aggregate Loan and Lease Losses Q1 2017 - Q1 2019

(\$ in millions)	Synovus Financial Corp.	Synovus Bank
Aggregate Loan and Lease Losses	\$ 838.6	\$ 838.6

Over the nine-quarter Planning Horizon, total loan losses under the Severely Adverse scenario for Synovus and Synovus Bank are estimated at \$838.6 million, which represents a significant increase over the Company's actual loan loss levels (based on actual results of operations through September 30, 2017).

The primary drivers for all modeled losses are the overall decline in business activity as well as property values resulting from the simulated economic downturn noted in the Dodd-Frank Act Stress Test Assumptions section. The combination of those factors significantly increase the probability of default and loss given default compared to other hypothetical economic scenarios such as those found in Baseline and Adverse scenarios provided by the Federal Reserve.

Severely Adverse Scenario Provided by the Federal Reserve Projected PPNR, Provision, and Net Income Q1 2017 - Q1 2019

(\$ in millions)	Synovus Financial Corp.	Synovus Bank
Pre-Provision Net Revenue	\$638.9	\$747.4
Provisions for Loan and Lease Losses	(1,088.6)	(1,088.6)
Net Income (Loss)	(\$283.8)	(\$215.0)

Over the Planning Horizon, the projected nine-quarter net loss for Synovus and Synovus Bank is estimated to be \$283.8 million and \$215.0 million, respectively. The primary driver of the Net Income loss for each entity is the \$1.1 billion in provision for loan and lease losses over the period. This, again, is significantly higher than current levels. Moreover, projected pre-provision net revenue is significantly lower than current actual levels, as the declines in revenue are driven by modeled reduction in the balance sheet as well as the impact from the near zero short-term interest rates in the hypothetical Severely Adverse economic scenario.

**Severely Adverse Scenario Provided by the Federal Reserve
Capital Ratios for Synovus Financial Corp. through Q1 2019**

	Actual Q4 2016	Planning Horizon	
		Ending - Q1 2019	9-Quarter Minimum
Common Equity Tier 1 Ratio (%)	9.9%	8.2%	8.2%
Tier 1 Risk-Based Capital Ratio (%)	10.1%	8.7%	8.7%
Total Risk-Based Capital Ratio (%)	12.0%	11.0%	11.0%
Tier 1 Leverage Ratio (%)	9.0%	7.1%	7.1%

**Severely Adverse Scenario Provided by the Federal Reserve
Capital Ratios for Synovus Bank through Q1 2019**

	Actual Q4 2016	Planning Horizon	
		Ending - Q1 2019	9- Quarter Minimum
Common Equity Tier 1 Ratio (%)	12.0%	10.1%	10.1%
Tier 1 Risk-Based Capital Ratio (%)	12.0%	10.1%	10.1%
Total Risk-Based Capital Ratio (%)	12.9%	11.4%	11.4%
Tier 1 Leverage Ratio (%)	10.7%	8.2%	8.2%

Changes in Capital and Capital Ratios

Given the magnitude of the economic impact in the Severely Adverse scenario, regulatory capital ratios decline meaningfully at Synovus and Synovus Bank. As detailed in the previous section, the net loss of \$283.8 million over the nine-quarter Planning Horizon is due primarily to \$1.1 billion in provisions for loan and lease losses, which is partially offset by pre-provision net revenue of \$638.9 million. Pre-provision net revenue is negatively impacted in this hypothetical scenario due to an increase in non-performing loan balances and margin pressures created by near zero short-term rates.

As described previously, DFA rules prescribe treatment on capital actions such as distributions, redemptions, and issuances, limiting potential actions that Synovus may take during the Planning Horizon. The prescribed treatment may not be consistent with planned capital actions, internal policies, or practices. For example, the Company would likely create a revised capital plan conserving capital in economic environments consistent with the simulated Severely Adverse scenario provided by the Federal Reserve in this analysis.

If an economic environment such as the Severely Adverse scenario were to occur and resulted in a breach of internal limits, capital actions such as a suspension of capital distributions and/or the issuance of capital qualifying instruments could result. Although recently revised DFA rules allow changes in dividends to be included in DFAST, common shareholder dividends per share were held constant from the beginning of the Planning Horizon in this analysis in the Severely Adverse scenario. Reducing common dividends per share would have resulted in higher capital levels and therefore, capital ratios.

Cautionary Note on Forward-Looking Statements

Synovus' disclosures in this document of projected results, capital ratios, risks, and assumptions are hypothetical and made pursuant to the requirements of the DFAST rules and related instructions. The scenario and assumptions discussed within this disclosure do not reflect Synovus' future expectations. 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," "assumes," "should," "predicts," "could," "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. These forward-looking statements include statements regarding projected aggregate losses, PPNR, provision and net income as well as projected capital levels, and the likely risks, and projected macroeconomic conditions under specific, hypothetical scenarios. Forward-looking statements are either based on the information known to, and current beliefs and expectations of, Synovus' management or upon hypothetical assumptions required under DFAST. A number of factors could cause actual results to differ materially from those contemplated by the forward-looking statements in this press release. These forward-looking statements are based upon information presently known to Synovus' management and are inherently subjective, uncertain, and subject to change due to any number of risks and uncertainties, including, without limitation, the risks and other factors set forth in Synovus' filings with the SEC, including its Annual Report on Form 10-K for the year ended December 31, 2016 under the captions "Cautionary Notice Regarding Forward-Looking Statements" and "Risk Factors" and in Synovus' quarterly reports on Form 10-Q and current reports on Form 8-K. Undue reliance should not be placed on any forward-looking statements, which are based on current expectations and speak only as of the date that they are made. Synovus does not assume any obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as otherwise may be required by law.