

June 17, 2009

Research Update:

**Synovus Financial Corp.
Downgraded To 'BB-' From 'BBB+';
Outlook Negative**

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Research Update:

Synovus Financial Corp. Downgraded To 'BB-' From 'BBB+'; Outlook Negative

Overview

- There is greater bank-industry risk than in the past, and potentially higher credit losses through 2009-2010.
- We have lowered our counterparty credit rating on Synovus Financial Corp. (Synovus) to 'BB-' from 'BBB+'.
- Future operating performance remains vulnerable to the evolution of real estate markets.

Rating Action

On June 17, 2009, Standard & Poor's Ratings Services lowered its long-term counterparty credit rating on Synovus to 'BB-' from 'BBB+'. We also lowered the counterparty credit ratings on Synovus's bank subsidiaries, including Columbus Bank and Trust Co., Georgia, Bank of North Georgia, First Commercial Bank, and The National Bank of South Carolina, Columbia to 'BB+/B' from 'A-/A-2'. The outlook is negative. The ratings are removed from CreditWatch Negative where they were placed May 4, 2009.

Rationale

The downgrade reflects our more negative view of industry risk, as well as our expectations that Synovus's credit quality and profitability will remain under heavy pressure through 2009 and 2010, challenging a healthy capital base that we believe is likely to decline briskly.

The company does not perform well under our stress-testing methodology. We expect Synovus's operating performance to continue to experience stress due to its commercial and real estate loan concentrations in the Southeast, especially in Atlanta. Without TSYS (the nonbank processing unit that was sold in 2007), the earnings power of the Synovus franchise is fundamentally weaker because it is less diverse and more typical of a general commercial bank with no specific ancillary businesses of note.

We view the company's credit profile as significantly riskier than many others, due to its loan concentration of 52% in Georgia (18% in Atlanta) and having its entire footprint in the weak economic environment of the Southeast. The company also has 17% of its portfolio in commercial mortgages, 25% in commercial and industrial, and 16% in owner-occupied real estate.

The company's current capital position is, in our view, adequate on both a tangible and regulatory basis, especially with the addition of \$968 million of U.S. Treasury preferred stock. The tangible common equity-to-tangible assets ratio is strong at 7.80% as of March 2009. The company's capital position under our own risk-adjusted capital framework is middling among our universe of rated peers, but we expect future credit losses and weaker

earnings generation to erode these positions in the near to medium term.

The downgrade is part of an industry review and follows our recent criteria on stress testing and U.S. banks.

Outlook

The outlook is negative. If Synovus's credit losses exceed our current expectations under our base-case stress tests, or its capital position erodes faster than we expect, we could lower the ratings. Alternatively, if loss rates stabilize and profitability rebounds, we could revise the outlook to stable.

Related Research

- "Credit Stress Testing For Financial Institutions," April 29, 2009
- "Risk-Adjusted Capital Framework For Financial Institutions," April 21, 2009
- "Stress Testing U.S. Financial Institutions," April 29, 2009

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Synovus Financial Corp. Counterparty Credit Rating	BB-/Negative/--	BBB+/Watch Neg/--
Bank of North Georgia National Bank of South Carolina (The), Columbia First Commercial Bank, Birmingham Columbus Bank and Trust Co., Georgia Counterparty Credit Rating	BB+/Negative/B	A-/Watch Neg/A-2
Certificate Of Deposit Local Currency	BB+/B	A-/Watch Neg/B
Synovus Financial Corp. Subordinated	B+	BBB/Watch Neg

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