

SYNOVUS FINANCIAL CORP

Form 10-Q

August 09, 2007

Table of Contents

**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 June 30, 2007  
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  
P.O. Box 120  
Columbus, Georgia 31902**  
(Address of principal executive offices)  
**(706) 649-2311**

(Registrants' telephone number, including area code)

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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12B-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒

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
Common Stock, \$1.00 Par Value

July 31, 2007
333,454,617 shares

**SYNOVUS FINANCIAL CORP.  
INDEX**

**Part I. Financial Information:**

**Item 1. Unaudited Financial Statements**

Consolidated Balance Sheets as of June 30, 2007 and December 31, 2006 3

Consolidated Statements of Income for the Six and Three Months Ended June 30, 2007 and 2006 4

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for the Six and Three Months Ended June 30, 2007 and 2006 5

Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2007 and 2006 6

Notes to Consolidated Financial Statements 7

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** 19

**Item 3. Quantitative and Qualitative Disclosures About Market Risk** 44

**Item 4. Controls and Procedures** 46

**Part II. Other Information:**

**Item 1A. Risk Factors** 47

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds** 47

**Item 4. Submission of Matters to a Vote of Security Holders** 48

**Item 6. Exhibits** 50

Signatures 51

Exhibit Index 52

EX-31.1 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

EX-31.2 CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

EX-32 CERTIFICATION OF PERIODIC REPORT

**Table of Contents**

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

<i>(In thousands, except share data)</i>	<b>June 30, 2007</b>	December 31, 2006
<b>ASSETS</b>		
Cash and due from banks	\$ 882,344	889,975
Interest earning deposits with banks	5,157	19,389
Federal funds sold and securities purchased under resale agreements	241,685	101,091
Trading account assets	70,626	15,266
Mortgage loans held for sale	190,587	175,042
Investment securities available for sale	3,558,813	3,352,357
Loans, net of unearned income	25,541,742	24,654,552
Allowance for loan losses	(331,130)	(314,459)
Loans, net	25,210,612	24,340,093
Premises and equipment, net	784,703	752,738
Contract acquisition costs and computer software, net	358,021	383,899
Goodwill	681,570	669,515
Other intangible assets, net	52,154	63,586
Other assets	1,184,534	1,091,822
Total assets	\$ 33,220,806	31,854,773
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Non-interest bearing retail and commercial deposits	\$ 3,595,117	3,538,598
Interest bearing retail and commercial deposits	18,126,823	17,741,354
Total retail and commercial deposits	21,721,940	21,279,952
Brokered time deposits	3,275,948	3,014,495
Total deposits	24,997,888	24,294,447
Federal funds purchased and other short-term liabilities	1,786,187	1,572,809
Long-term debt	1,673,124	1,350,139
Other liabilities	576,276	692,019
Total liabilities	29,033,475	27,909,414
Minority interest in consolidated subsidiaries	262,007	236,709

Shareholders' equity:

Common stock \$1.00 par value. Authorized 600,000,000 shares; issued 333,078,474 in 2007 and 331,213,913 in 2006; outstanding 327,416,936 in 2007 and 325,552,375 in 2006	<b>333,078</b>	331,214
Additional paid-in capital	<b>1,091,517</b>	1,033,055
Treasury stock, at cost 5,661,538 shares	<b>(113,944)</b>	(113,944)
Accumulated other comprehensive loss	<b>(20,929)</b>	(2,129)
Retained earnings	<b>2,635,602</b>	2,460,454
 Total shareholders' equity	 <b>3,925,324</b>	 3,708,650
 Total liabilities and shareholders' equity	 <b>\$ 33,220,806</b>	 31,854,773

*See accompanying notes to consolidated financial statements.*

Table of Contents

**SYNOVUS FINANCIAL CORP.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(unaudited)**

	<b>Six Months Ended June 30,</b>		<b>Three Months Ended June 30,</b>	
<i>(In thousands, except per share data)</i>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Interest income:				
Loans, including fees	<b>\$ 1,018,364</b>	863,961	<b>516,307</b>	459,111
Investment securities available for sale	<b>83,323</b>	64,520	<b>42,870</b>	33,809
Trading account assets	<b>1,877</b>	1,384	<b>970</b>	685
Mortgage loans held for sale	<b>4,959</b>	4,274	<b>2,522</b>	2,340
Federal funds sold and securities purchased under resale agreements	<b>2,850</b>	2,946	<b>1,372</b>	1,705
Interest earning deposits with banks	<b>969</b>	121	<b>401</b>	63
Total interest income	<b>1,112,342</b>	937,206	<b>564,442</b>	497,713
Interest expense:				
Deposits	<b>453,825</b>	312,171	<b>231,088</b>	171,757
Federal funds purchased and other short-term liabilities	<b>41,760</b>	37,162	<b>21,187</b>	21,065
Long-term debt	<b>38,586</b>	38,234	<b>20,261</b>	17,688
Total interest expense	<b>534,171</b>	387,567	<b>272,536</b>	210,510
Net interest income	<b>578,171</b>	549,639	<b>291,906</b>	287,203
Provision for losses on loans	<b>40,797</b>	38,083	<b>20,281</b>	18,534
Net interest income after provision for losses on loans	<b>537,374</b>	511,556	<b>271,625</b>	268,669
Non-interest income:				
Electronic payment processing services	<b>472,153</b>	451,867	<b>243,411</b>	231,395
Merchant acquiring services	<b>124,957</b>	129,769	<b>64,277</b>	65,820
Other transaction processing services	<b>107,970</b>	89,947	<b>54,847</b>	45,001
Service charges on deposit accounts	<b>54,421</b>	54,988	<b>28,050</b>	28,800
Fiduciary and asset management fees	<b>24,696</b>	23,222	<b>12,434</b>	11,509
Brokerage and investment banking income	<b>15,259</b>	13,506	<b>7,809</b>	6,559
Mortgage banking income	<b>14,920</b>	13,978	<b>7,695</b>	8,105
Bankcard fees	<b>23,447</b>	21,647	<b>11,567</b>	11,093
Securities gains (losses), net	<b>705</b>	(1,136)	<b>258</b>	(1,062)
Other fee income	<b>19,838</b>	19,640	<b>10,411</b>	10,357
Other operating income	<b>26,186</b>	20,317	<b>15,461</b>	10,794
Non-interest income before reimbursable items	<b>884,552</b>	837,745	<b>456,220</b>	428,371
Reimbursable items	<b>181,555</b>	168,638	<b>95,828</b>	86,138
Total non-interest income	<b>1,066,107</b>	1,006,383	<b>552,048</b>	514,509

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Non-interest expense:				
Salaries and other personnel expense	<b>516,721</b>	461,605	<b>261,768</b>	233,847
Net occupancy and equipment expense	<b>187,147</b>	197,195	<b>94,234</b>	99,495
Other operating expenses	<b>202,008</b>	215,525	<b>103,448</b>	109,690
Non-interest expense before reimbursable items	<b>905,876</b>	874,325	<b>459,450</b>	443,032
Reimbursable items	<b>181,555</b>	168,638	<b>95,828</b>	86,138
Total non-interest expense	<b>1,087,431</b>	1,042,963	<b>555,278</b>	529,170
Minority interest in subsidiaries net income	<b>24,465</b>	20,905	<b>13,187</b>	11,165
Income from continuing operations before income taxes	<b>491,585</b>	454,071	<b>255,208</b>	242,843
Income tax expense	<b>186,283</b>	166,767	<b>96,658</b>	90,046
Income from continuing operations	<b>305,302</b>	287,304	<b>158,550</b>	152,797
Discontinued operations, net of income taxes	<b>4,200</b>		<b>4,200</b>	
Net income	<b>\$ 309,502</b>	287,304	<b>162,750</b>	152,797
Net income per share:				
Basic				
Income from continuing operations	<b>\$ 0.94</b>	0.90	<b>0.49</b>	0.47
Net income	<b>0.95</b>	0.90	<b>0.50</b>	0.47
Diluted				
Income from continuing operations	<b>\$ 0.93</b>	0.90	<b>0.48</b>	0.47
Net income	<b>0.94</b>	0.90	<b>0.49</b>	0.47
Weighted average shares outstanding:				
Basic	<b>326,051</b>	318,236	<b>326,410</b>	322,783
Diluted	<b>329,920</b>	320,840	<b>330,263</b>	325,421

*See accompanying notes to consolidated financial statements.*

Table of Contents

**SYNOVUS FINANCIAL CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AND COMPREHENSIVE INCOME**  
**(unaudited)**

	Shares	Common	Additional	Treasury	Unearned	Accumulated Other Comprehensive Income	Retained	
<i>(In thousands, except per share data)</i>	<b>Issued</b>	<b>Stock</b>	<b>Paid-In Capital</b>	<b>Stock</b>	<b>sation</b>	<b>(Loss)</b>	<b>Earnings</b>	<b>Total</b>
Balance at December 31, 2005	318,301	\$ 318,301	686,447	(113,944)	(3,126)	(29,536)	2,091,187	2,949,329
SAB No. 108 Adjustment to opening shareholders' equity						826	3,434	4,260
Net Income							287,304	287,304
Other comprehensive income (loss), net of tax:								
Net unrealized loss on cash flow hedges						(1,054)		(1,054)
Change in unrealized losses on investment securities available for sale, net of reclassification adjustment						(28,000)		(28,000)
Gain on foreign currency translation						3,807		3,807
Other comprehensive loss						(25,247)		(25,247)
Comprehensive income								262,057
Cash dividends declared \$0.39 per share							(124,258)	(124,258)
Reclassification of unearned compensation to additional paid-in capital upon adoption of SFAS No. 123(R)			(3,126)		3,126			
Issuance of non-vested stock	166	166	(166)					
Share-based compensation expense			11,618					11,618
Stock options exercised	1,787	1,787	31,507					33,294
Share-based tax benefit			3,334					3,334
Ownership change at majority-owned subsidiary			2,182					2,182
Issuance of common stock for acquisition	8,843	8,843	227,060					235,903
Balance at June 30, 2006	329,097	\$ 329,097	958,856	(113,944)		(53,957)	2,257,667	3,377,719
<b>Balance at December 31, 2006</b>	<b>331,214</b>	<b>\$ 331,214</b>	<b>1,033,055</b>	<b>(113,944)</b>		<b>(2,129)</b>	<b>2,460,454</b>	<b>3,708,650</b>



Cumulative effect of adoption of FIN No. 48					(230)	(230)
Net Income					309,502	309,502
Other comprehensive income, net of tax:						
Net unrealized loss on cash flow hedges					(2,917)	(2,917)
Change in unrealized losses on investment securities available for sale, net of reclassification adjustment					(18,047)	(18,047)
Gain on foreign currency translation					2,164	2,164
Other comprehensive loss					(18,800)	(18,800)
Comprehensive income						290,702
Cash dividends declared \$0.41 per share					(134,124)	(134,124)
Issuance of non-vested stock	52	52	(52)			
Share-based compensation expense			11,126			11,126
Stock options exercised	1,750	1,750	31,800			33,550
Share-based tax benefit			7,741			7,741
Ownership change at majority-owned subsidiary			5,793			5,793
Issuance of common stock for acquisition	62	62	2,054			2,116
Balance at June 30, 2007	333,078	\$ 333,078	1,091,517	(113,944)	(20,929)	2,635,602
						3,925,324

See accompanying notes to consolidated financial statements.

Table of Contents

**SYNOVUS FINANCIAL CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

	<b>Six Months Ended June 30,</b>	
<i>(In thousands)</i>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 309,502	287,304
Income from discontinued operations, net of tax	(4,200)	
Income from continuing operations	305,302	287,304
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Provision for losses on loans	40,797	38,083
Depreciation, amortization and accretion, net	89,405	97,970
Increase in interest receivable	(9,479)	(63,054)
(Decrease) increase in interest payable	(1,278)	25,311
Equity in income of unconsolidated subsidiaries	(3,237)	(1,871)
Minority interest in subsidiaries net income	24,465	20,905
Increase in trading account assets	(55,360)	(19,617)
Originations of mortgage loans held for sale	(808,759)	(736,200)
Proceeds from sales of mortgage loans held for sale	792,583	708,415
Increase in other assets	(45,109)	(10,614)
Decrease in other liabilities	(43,721)	(8,614)
Net (gains) losses on sales of available for sale investment securities	(705)	1,136
Increase in fair value of private equity investments	(4,245)	
Impairment of computer software	620	
Share-based compensation expense	15,143	13,334
Decrease in accrued salaries and employee benefits	(77,628)	(63,362)
Other, net	16,317	(298)
Net cash provided by operating activities	235,111	288,828
<b>Cash flows from investing activities:</b>		
Net cash received for acquisition		14,800
Net decrease (increase) in interest earning deposits with banks	14,232	(8,905)
Net increase in federal funds sold and securities purchased under resale agreements	(140,594)	(129,927)
Proceeds from maturities and principal collections of investment securities available for sale	376,654	235,293
Proceeds from sales of investment securities available for sale	21,501	111,593
Purchases of investment securities available for sale	(642,529)	(444,720)
Net increase in loans	(934,359)	(1,491,044)
Purchases of premises and equipment	(76,095)	(64,361)
Proceeds from disposal of premises and equipment	1,914	348
Net proceeds from transfer of mutual funds	6,885	
Additions to other intangible assets	(77)	

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Increase in contract acquisition costs	(9,542)	(22,339)
Additions to licensed computer software from vendors	(8,866)	(4,437)
Additions to internally developed computer software	(7,458)	(8,999)
Net cash used by investing activities	(1,398,334)	(1,812,698)
<b>Cash flows from financing activities:</b>		
Net increase in demand and savings deposits	549,601	449,389
Net increase in certificates of deposit	153,838	1,006,439
Net increase in federal funds purchased and other short-term liabilities	213,378	762,864
Principal repayments on long-term debt	(201,845)	(570,679)
Proceeds from issuance of long-term debt	529,313	23,500
Excess tax benefit from share-based payment arrangements	7,398	4,853
Dividends paid to shareholders	(130,482)	(181,317)
Proceeds from issuance of common stock	33,550	33,294
Net cash provided by financing activities	1,154,751	1,528,343
Effect of exchange rate changes on cash and cash equivalent balances held in foreign currencies	841	1,795
(Decrease) increase in cash and due from banks	(7,631)	6,268
Cash and due from banks at beginning of period	889,975	880,886
Cash and due from banks at end of period	\$ 882,344	887,154

*See accompanying notes to consolidated financial statements.*

**Table of Contents**

**SYNOVUS FINANCIAL CORP.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**Note 1 Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods covered by this report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Synovus Financial Corp. (Synovus) consolidated financial statements and related notes appearing in the 2006 Annual Report previously filed on Form 10-K. Certain prior year amounts have been reclassified to conform to the presentation adopted in 2007.

In preparing the consolidated financial statements, 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 balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.

**Note 2 Supplemental Cash Flow Information**

For the six months ended June 30, 2007 and 2006, Synovus paid income taxes (net of refunds received) of \$191.0 million and \$190.4 million, respectively. For the six months ended June 30, 2007 and 2006, Synovus paid interest of \$530.3 million and \$362.8 million, respectively.

Non-cash investing activities consisted of loans of approximately \$23.0 million and \$19.9 million, which were foreclosed and transferred to other real estate during the six months ended June 30, 2007 and 2006, respectively.

**Note 3 Comprehensive Income**

Other comprehensive income (loss) consists of the change in net unrealized gains (losses) on cash flow hedges, the change in net unrealized gains (losses) on investment securities available for sale, and gains (losses) on foreign currency translation. Comprehensive income consists of net income plus other comprehensive income (loss).

**Table of Contents**

Comprehensive income for the six and three months ended June 30, 2007 and 2006 is presented below:

	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
(in thousands)	2007	2006	2007	2006
Net income	\$ 309,502	287,304	162,750	152,797
Other comprehensive loss, net of tax:				
Change in net unrealized losses on cash flow hedges	(2,917)	(3,771)	(4,428)	(2,744)
Change in net unrealized gains/losses on investment securities available for sale, net of reclassification adjustment	(18,047)	(25,283)	(25,741)	(12,321)
Gains on foreign currency translation	2,164	3,807	2,251	3,472
Other comprehensive loss	(18,800)	(25,247)	(27,918)	(11,593)
Comprehensive income	\$ 290,702	262,057	134,832	141,204

**Note 4 Derivative Instruments**

Synovus accounts for its derivative financial instruments as either assets or liabilities on the balance sheet at fair value through adjustments to either the hedged items, accumulated other comprehensive income (loss), or current earnings, as appropriate. 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 consist of interest rate swaps, commitments to sell fixed-rate mortgage loans, and interest rate lock commitments made to prospective mortgage loan customers. Mortgage rate lock commitments represent derivative instruments since it is intended that such loans will be sold.

Synovus originates first lien residential mortgage loans for sale into the secondary market and generally does not hold the originated loans for investment purposes. Mortgage loans are either converted to securities or are sold to a third party servicing aggregator.

At June 30, 2007, Synovus had commitments to fund fixed-rate mortgage loans to customers in the amount of \$119.5 million. The fair value of these commitments at June 30, 2007 resulted in an unrealized loss of \$611 thousand, which was recorded as a component of mortgage banking income in the consolidated statement of income.

At June 30, 2007, outstanding commitments to sell fixed-rate mortgage loans amounted to approximately \$216.0 million. 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 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 at June 30, 2007 resulted in an unrealized gain of \$982 thousand, which was recorded as a component of mortgage banking income in the consolidated statement of income.

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

**Table of Contents**

amounts. Entering into interest rate derivatives 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 often are used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller.

The receive fixed interest rate swap contracts at June 30, 2007 are being utilized to hedge \$800 million in floating rate loans and \$2.38 billion in fixed-rate liabilities. A summary of interest rate swap contracts and their terms at June 30, 2007 is shown below:

<i>(Dollars in thousands)</i>	Weighted-Average				Unrealized		Net Unrealized Gains (Losses)
	Notional Amount	Receive Rate	Pay Rate(*)	Maturity In Months	Gains	Losses	
Receive fixed swaps:							
Fair value hedges	\$ 2,382,500	5.03%	5.11%	25	\$ 24,330	(22,058)	2,272
Cash flow hedges	800,000	8.03%	8.25%	37	995	(2,801)	(1,806)
Total	\$ 3,182,500	5.79%	5.90%	28	\$ 25,325	(24,859)	466

(\*) Variable pay  
rate based upon  
contract rates in  
effect at  
June 30, 2007.

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. Changes in the fair value of the cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) within shareholders' equity, net of the tax benefit or expense. Synovus calculates effectiveness of the hedging relationship quarterly using regression analysis for all cash flow hedges entered into after March 31, 2007. The cumulative dollar offset method was used for all hedges entered into prior to that date. As of June 30, 2007, cumulative ineffectiveness for Synovus' portfolio of cash flow hedges represented a gain of approximately \$63 thousand. Ineffectiveness from cash flow hedges is recognized in the consolidated statements of income as other operating income.

Synovus expects to reclassify from accumulated other comprehensive income (loss) approximately \$1.8 million as net-of-tax expense during the next twelve months, as the related payments for interest rate swaps and amortization of deferred gains (losses) are recorded.

Synovus designates hedges of fixed rate liabilities as fair value hedges. These swaps hedge against the change in fair market value of various fixed rate liabilities due to changes in the LIBOR benchmark interest rate. Changes in the fair value of fair value hedges are recorded on the balance sheet as adjustments to the hedged fixed rate liabilities.

Synovus calculates effectiveness of the hedging relationship quarterly using regression analysis for all fair value hedges entered into after March 31, 2007. The cumulative dollar offset method is used for all hedges entered into prior to those dates. As of June 30, 2007, cumulative ineffectiveness for Synovus' portfolio of fair value hedges represented a gain of approximately \$20 thousand. Ineffectiveness from fair value hedges is recognized in the consolidated statements of income as other operating income.

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 risk to Synovus. These derivative financial instruments are recorded at fair value with any resulting gain or loss recorded

**Table of Contents**

in current period earnings. As of June 30, 2007, the notional amount of customer related interest rate derivative financial instruments was \$2.43 billion.

Synovus also enters into derivative financial instruments to meet the equity 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 risk to Synovus. These derivative financial instruments are recorded at fair value with any resulting gain or loss recorded in current period earnings. As of June 30, 2007, the notional amount of customer related equity derivative financial instruments was \$19.8 million.

**Note 5 Share-Based Compensation***General Description of Share-Based Compensation Plans*

Synovus long-term incentive plans authorize the Compensation Committee of the Board of Directors to grant share-based compensation to Synovus employees and non-employee directors. Synovus accounts for its share-based compensation arrangements in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment.

At December 31, 2006, Synovus had a total of 4.2 million shares of its authorized but unissued common stock reserved for future share-based grants under the Synovus Financial Corp. 2002 and 2000 Long-Term Incentive Plans ( 2002 and 2000 Plans ). On February 15, 2007, the Board of Directors adopted the Synovus Financial Corp. 2007 Omnibus Plan ( 2007 Plan ), subject to shareholder approval. The 2007 Plan was approved by shareholders on April 25, 2007. Due to the approval of the 2007 Plan, no further awards will be made under the 2002 and 2000 Plans. The aggregate number of shares of Synovus common stock which may be granted to participants pursuant to awards granted under the 2007 Plan may not exceed 18 million.

*Share-Based Compensation Expense*

Synovus share-based compensation expense is recorded as a component of salaries and other personnel expense in the consolidated statements of income. Share-based compensation expense recognized in income is presented below:

	<b>Six Months Ended</b>		<b>Three Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>(In thousands)</i>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Share-based compensation expense:				
Stock options	\$ 8,427	11,347	4,244	4,773
Non-vested shares	6,716	1,987	3,560	1,114
Total share-based compensation expense	\$ 15,143	13,334	7,804	5,887

*Stock Option Awards*

During the six months ended June 30, 2007, Synovus granted 246,660 options to purchase shares of Synovus common stock to certain key Synovus employees at a weighted-average exercise price of \$31.93. No options to purchase shares of Synovus common stock were issued during the three months ended June 30, 2007. Stock options granted in 2007 generally become exercisable over a three-year period, with one-third of the total grant amount vesting on each anniversary of the grant-date, and expire ten years from the date of grant. Share-based compensation expense is recognized for plan participants on a straight-line basis over the shorter of the vesting period or the period until reaching retirement eligibility. At June 30, 2007, there were 21,588,878 options

## **Table of Contents**

to purchase shares of Synovus common stock outstanding with a weighted-average exercise price of \$23.29. The weighted-average grant-date fair value of stock options granted to key Synovus employees during the six months ended June 30, 2007 and 2006 was \$7.22 and \$6.40, respectively, and during the three months ended June 30, 2006 was \$6.52. The fair value of the option grants during the six months ended June 30, 2007 was determined using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions: risk free interest rate of 4.78%, expected stock price volatility of 21.76%, dividend yield of 2.6% and an expected life of 6.0 years.

### *Non-Vested Shares*

During the six months ended June 30, 2007, 59,194 non-transferable non-vested shares of Synovus common stock with a weighted-average grant date fair value of \$31.97 were awarded to certain key employees and non-employee directors of Synovus. There were no awards of non-vested shares during the three months ended June 30, 2007. Non-vested shares granted in 2007 generally vest over a three-year period, with one-third of the total grant amount vesting on each anniversary of the grant-date. Share-based compensation expense is recognized for plan participants on a straight-line basis over the vesting period. At June 30, 2007, there were 671,422 non-vested shares outstanding with a weighted-average grant-date fair value of \$27.59.

In addition to the non-vested shares described above, during the six months ended June 30, 2007, 12,677 non-transferable non-vested shares of Synovus common stock with a grant date fair value of \$31.64 were awarded to a key Synovus executive under a performance-vesting schedule.

### *TSYS Share-Based Compensation*

Total System Services, Inc. (TSYS), an 81% owned subsidiary, also grants share-based compensation to certain executives and non-employee directors in the form of options to purchase shares of TSYS common stock (TSYS stock options) or non-vested shares of TSYS common stock (TSYS non-vested shares).

During the six months ended June 30, 2007, TSYS awarded 241,260 non-transferable non-vested shares of TSYS common stock with a grant-date fair value of \$31.37 to certain key employees and non-employee directors of TSYS. The fair value of the common stock at the date of issuance will be amortized over the shorter of the vesting period or the period until reaching retirement. TSYS did not grant any options for purchase of TSYS common stock during the six months ended June 30, 2007.

## **Note 6 Business Combinations and Discontinued Operations**

### **Acquisitions**

On July 11, 2006, TSYS completed the acquisition of Card Tech, Ltd., a privately owned London-based payments firm, and related companies. TSYS rebranded the group of companies as TSYS Card Tech. TSYS paid aggregate consideration of approximately \$59.5 million, including direct acquisition costs. TSYS is in the process of allocating the purchase price to the respective assets and liabilities acquired, and has preliminarily allocated approximately \$32.7 million to goodwill, approximately \$19.1 million to other identifiable intangible assets and the remaining amounts to other identifiable assets and liabilities acquired.

Effective on March 25, 2006, Synovus acquired all of the issued and outstanding common shares of Riverside Bancshares, Inc., the parent company of Riverside Bank, and effective on April 1, 2006, Synovus acquired all of the issued and outstanding common shares of Banking Corporation of Florida, the parent company of First Florida Bank. The results of operations for these acquisitions have been included in Synovus consolidated financial statements beginning March 25, 2006 and April 1, 2006, respectively.

Pro forma information related to the impact of these acquisitions on Synovus consolidated financial



**Table of Contents**

statements, assuming such acquisitions had occurred at the beginning of the periods reported, is not presented as such impact is not significant.

**Discontinued Operations**

During the three months ended June 30, 2007, Synovus transferred its proprietary mutual funds (Synovus Funds) to a non-affiliated third party. As a result of the transfer, Synovus received gross proceeds of \$7.96 million and incurred transaction related costs of \$1.07 million, resulting in a pre-tax gain of \$6.89 million or \$4.20 million, after-tax. The net gain has been reported as discontinued operations on the accompanying consolidated statements of income. Financial results for 2007 and 2006, of the business associated with the Synovus Funds, have not been presented as discontinued operations as such amounts are inconsequential. This business did not have significant assets, liabilities, revenues, or expenses associated with it.

**Note 7 Operating Segments**

Synovus has two reportable segments: Financial Services and Transaction Processing Services, which is comprised of TSYS. The Financial Services segment provides financial services including banking, financial management, insurance, mortgage and leasing services through 39 subsidiary banks and other Synovus offices in Georgia, Alabama, South Carolina, Florida, and Tennessee. TSYS provides electronic payment processing and other related services to card-issuing institutions in the United States, and internationally. All inter-segment services provided are charged at the same rates as those charged to unaffiliated customers. Such services are included in the results of operations of the respective segments and are eliminated to arrive at consolidated totals.

**Table of Contents**

Segment information as of and for the six months ended June 30, 2007 and 2006, respectively, is presented in the following table:

<i>(In thousands)</i>		Financial Services	TSYS (a)	Eliminations	Consolidated
Interest income	<b>2007</b>	<b>\$ 1,112,391</b>	<b>6,899</b>	<b>(6,948) (b)</b>	<b>1,112,342</b>
	2006	937,207	3,553	(3,554) (b)	937,206
Interest expense	<b>2007</b>	<b>540,967</b>	<b>152</b>	<b>(6,948) (b)</b>	<b>534,171</b>
	2006	391,043	78	(3,554) (b)	387,567
Net interest income	<b>2007</b>	<b>571,424</b>	<b>6,747</b>		<b>578,171</b>
	2006	546,164	3,475		549,639
Provision for losses on loans	<b>2007</b>	<b>40,797</b>			<b>40,797</b>
	2006	38,083			38,083
Net interest income after provision for losses on loans	<b>2007</b>	<b>530,627</b>	<b>6,747</b>		<b>537,374</b>
	2006	508,081	3,475		511,556
Total non-interest income	<b>2007</b>	<b>183,834</b>	<b>896,408</b>	<b>(14,135) (c)</b>	<b>1,066,107</b>
	2006	172,517	845,618	(11,752) (c)	1,006,383
Total non-interest expense	<b>2007</b>	<b>392,819</b>	<b>708,747</b>	<b>(14,135) (c)</b>	<b>1,087,431</b>
	2006	369,796	684,919	(11,752) (c)	1,042,963
Income from continuing operations before income taxes	<b>2007</b>	<b>321,642</b>	<b>194,408</b>	<b>(24,465) (d)</b>	<b>491,585</b>
	2006	310,802	164,174	(20,905) (d)	454,071
Income tax expense	<b>2007</b>	<b>115,787</b>	<b>70,496</b>		<b>186,283</b>
	2006	110,657	56,110		166,767
Income from continuing operations	<b>2007</b>	<b>205,855</b>	<b>123,912</b>	<b>(24,465) (d)</b>	<b>305,302</b>
	2006	200,145	108,064	(20,905) (d)	287,304
Discontinued operations, net of tax	<b>2007</b>	<b>4,200</b>			<b>4,200</b>
	<b>2006</b>				
Net income	<b>2007</b>	<b>\$ 210,055</b>	<b>123,912</b>	<b>(24,465) (d)</b>	<b>309,502</b>
	2006	200,145	108,064	(20,905) (d)	287,304
Total assets	<b>2007</b>	<b>\$31,860,937</b>	<b>1,677,646</b>	<b>(317,777) (e)</b>	<b>33,220,806</b>
	2006	29,311,947	1,426,850	(211,709) (e)	30,527,088

(a) Includes equity in income of joint ventures which is included in non-interest income.

(b) Interest on TSYS cash deposits with the Financial Services

segment and on  
TSYS line of  
credit with a  
Synovus bank.

- (c) Primarily,  
electronic  
payment  
processing  
services and  
other services  
provided by  
TSYS to the  
Financial  
Services  
segment.
- (d) Minority  
interest in TSYS  
and GP  
Network  
Corporation (a  
TSYS  
subsidiary).
- (e) Primarily TSYS  
cash deposits  
with the  
Financial  
Services  
segment.

**Table of Contents**

Segment information as of and for the three months ended June 30, 2007 and 2006, respectively, is presented in the following table:

<i>(In thousands)</i>		Financial Services	TSYS (a)	Eliminations	Consolidated
Interest income	<b>2007</b>	<b>\$ 564,492</b>	<b>3,500</b>	<b>(3,550) (b)</b>	<b>564,442</b>
	2006	497,713	2,034	(2,034) (b)	497,713
Interest expense	<b>2007</b>	<b>276,017</b>	<b>69</b>	<b>(3,550) (b)</b>	<b>272,536</b>
	2006	212,499	45	(2,034) (b)	210,510
Net interest income	<b>2007</b>	<b>288,475</b>	<b>3,431</b>		<b>291,906</b>
	2006	285,214	1,989		287,203
Provision for losses on loans	<b>2007</b>	<b>20,281</b>			<b>20,281</b>
	2006	18,534			18,534
Net interest income after provision for losses on loans	<b>2007</b>	<b>268,194</b>	<b>3,431</b>		<b>271,625</b>
	2006	266,680	1,989		268,669
Total non-interest income	<b>2007</b>	<b>96,331</b>	<b>463,115</b>	<b>(7,398) (c)</b>	<b>552,048</b>
	2006	89,453	431,212	(6,156) (c)	514,509
Total non-interest expense	<b>2007</b>	<b>198,022</b>	<b>364,654</b>	<b>(7,398) (c)</b>	<b>555,278</b>
	2006	190,850	344,476	(6,156) (c)	529,170
Income from continuing operations before income taxes	<b>2007</b>	<b>166,503</b>	<b>101,892</b>	<b>(13,187) (d)</b>	<b>255,208</b>
	2006	165,283	88,725	(11,165) (d)	242,843
Income tax expense	<b>2007</b>	<b>61,055</b>	<b>35,603</b>		<b>96,658</b>
	2006	58,899	31,147		90,046
Income from continuing operations	<b>2007</b>	<b>105,448</b>	<b>66,289</b>	<b>(13,187) (d)</b>	<b>158,550</b>
	2006	106,384	57,578	(11,165) (d)	152,797
Discontinued operations, net of tax	<b>2007</b>	<b>4,200</b>			<b>4,200</b>
	2006				
Net income	<b>2007</b>	<b>\$ 109,648</b>	<b>66,289</b>	<b>(13,187) (d)</b>	<b>162,750</b>
	2006	106,384	57,578	(11,165) (d)	152,797
Total assets	<b>2007</b>	<b>\$31,860,937</b>	<b>1,677,646</b>	<b>(317,777) (e)</b>	<b>33,220,806</b>
	2006	29,311,947	1,426,850	(211,709) (e)	30,527,088

(a) Includes equity in income of joint ventures which is included in non-interest income.

(b) Interest on TSYS cash deposits with the Financial Services

segment and on  
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Synovus bank.

- (c) Primarily,  
electronic  
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provided by  
TSYS to the  
Financial  
Services  
segment.
- (d) Minority  
interest in TSYS  
and GP  
Network  
Corporation (a  
TSYS  
subsidiary).
- (e) Primarily TSYS  
cash deposits  
with the  
Financial  
Services  
segment.

**Table of Contents**

TSYS had three major customers for the six months ended June 30, 2007, and had two major customers for the six months ended June 30, 2006. One of TSYS' major customers was also a major customer of Synovus for the six and three months ended June 30, 2006. For the six months ended June 30, 2006, total revenues from this major customer were \$198.1 million, which represented approximately 23.5% and 12.7% of TSYS and Synovus' total revenues, respectively. For the three months ended June 30, 2006, total revenues from this major customer were \$101.8 million, which represented approximately 23.7% and 12.6% of TSYS and Synovus' total revenues, respectively. Segment information for the changes in the carrying amount of goodwill for the six months ended June 30, 2007 is shown in the following table:

<i>(In thousands)</i>	Financial Services	TSYS	Total
Balance as of December 31, 2006	\$ 536,178	133,337	669,515
Goodwill adjusted during period	3,419 (1)(2)	8,636 (3)	12,055
Impairment losses			
<b>Balance as of June 30, 2007</b>	<b>\$ 539,597</b>	<b>141,973</b>	<b>681,570</b>

(1) Synovus acquired all of the issued and outstanding shares of GLOBALT, Inc. on May 31, 2002. The terms of the merger agreement provided for contingent consideration based on a percentage of a multiple of earnings before interest, income taxes, depreciation and other adjustments, as defined in the agreement (EBTDA), for each of the three years ended December 31, 2004, 2005 and 2006. The contingent

consideration was payable by February 15<sup>th</sup> of each year subsequent to the respective calendar year for which the EBTDA calculation was made. The fair value of the contingent consideration was recorded as an addition to goodwill. During the first quarter of 2007, Synovus recorded additional contingent consideration of \$1.9 million, which was based on 14% of a multiple of GLOBALT's EBTDA for the year ended December 31, 2006.

- (2) Goodwill adjusted during the six months ended June 30, 2007 includes \$1.3 million resulting from finalization of the allocation of the purchase prices for the Riverside acquisition on March 25, 2006, and \$259 thousand resulting from

the First Florida  
acquisition on  
April 1, 2006.

- (3) Goodwill  
adjusted during  
the six months  
ended June 30,  
2007 includes  
\$5.5 million  
resulting from  
the finalization  
of the allocation  
of the purchase  
price for TSYS  
acquisition of  
TSYS Card  
Tech on July 11,  
2006, and a  
\$2.6 million  
currency  
translation  
adjustment  
related to TSYS  
Card Tech. The  
remaining \$472  
thousand  
addition to  
goodwill is due  
to legal fees  
incurred in  
conjunction  
with the  
acquisition of  
TSYS Card  
Tech and TSYS  
Managed  
Services.



**Table of Contents**

Intangible assets (excluding goodwill) net of accumulated amortization as of June 30, 2007 and December 31, 2006, respectively, are presented in the table below.

	June 30, 2007	December 31, 2006
<i>(In thousands)</i>		
Purchased trust revenues	\$ 2,503	2,643
Core deposit premiums	24,872	27,099
Employment contracts / non-competition agreements		150
Acquired customer contracts	2,730	5,029
Intangibles associated with the acquisition of minority interest in TSYS	6,185	6,577
Customer relationships	14,264	20,275
Other	1,600	1,813
Total carrying value	\$ 52,154	63,586

**Note 8 Income Taxes**

Synovus files income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions, and is subject to examinations by these taxing authorities unless statutory examination periods lapse. Synovus U.S. Federal income tax return is filed on a consolidated basis. Most state and foreign income tax returns are filed on a separate entity basis. Synovus is no longer subject to U.S. Federal income tax examinations by the Internal Revenue Service (IRS) for years before 2004, and with few exceptions, is no longer subject to income tax examinations from state and local or foreign authorities for years before 2001. There is currently no Federal tax examination in progress; however, a number of tax examinations are in progress by the relevant state tax and foreign authorities.

Synovus adopted the provisions of Financial Accounting Standards Board (FASB) interpretation No. 48, Accounting for Income Taxes an interpretation of FASB Statement 109 (FIN 48) as of January 1, 2007. FIN 48 establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 provides a two-step process in the evaluation of a tax position. The first step is recognition. A company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including a resolution of any related appeals or litigation processes, based upon the technical merits of the position. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Upon adoption as of January 1, 2007, Synovus recognized a \$607 thousand increase in the liability for uncertain tax positions, with a corresponding decrease in minority interest of \$377 thousand and a decrease in retained earnings of \$230 thousand as a cumulative effect adjustment. During the six months ended June 30, 2007, Synovus increased its liability for uncertain income tax positions by a net amount of approximately \$3.1 million (net of the Federal tax benefit for the increase in state tax expense) in response to new information impacting the potential resolution of material uncertain tax

**Table of Contents**

positions, subsequent to the adoption of FIN 48. Approximately \$1.8 million of the net increase in the liability for uncertain income tax positions related to Federal timing differences that were not recorded through the consolidated statements of income in the six months ended June 30, 2007.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (1):

	<b>Six Months Ended June 30, 2007</b>	<b>Three Months Ended June 30, 2007</b>
<i>(in thousands)</i>		
Beginning balance	\$ 16,485	\$ 18,874
Current activity:		
Additions based on tax positions related to current year	1,066	492
Additions for tax positions of prior years	4,521	1,547
Reductions for tax positions of prior years	(1,159)	
Settlements		
Ending balance	\$ 20,913	\$ 20,913

(1) Unrecognized state tax benefits are not adjusted for the Federal tax impact.

Synovus recognizes accrued interest and penalties related to unrecognized income tax benefits as a component of income tax expense. Accrued interest and penalties on unrecognized tax benefits totaled \$3.4 million and \$5.3 million as of January 1, 2007 and June 30, 2007, respectively. The total amount of unrecognized income tax benefits as of January 1, 2007 and June 30, 2007 that, if recognized, would affect the effective tax rate is \$13.4 million and \$16.7 million (net of the Federal benefit on state tax issues) respectively, which includes interest of \$2.2 million and \$3.3 million.

**Note 9 Dividends per Share**

Dividends declared per share for the three months ended June 30, 2007 were \$0.2050, up 5.1% from \$0.1950 for the same period in 2006. For the six months ended June 30, 2007, dividends declared per share were \$0.4100, an increase of 5.1% from \$0.3900 for the same period in 2006. The dividend payout ratio for the six months ended June 30, 2007 was 43.7%, as compared to 43.6% for the same period in 2006.

**Note 10 Guarantees and Indemnifications**

TSYS has entered into processing and licensing agreements with clients that include intellectual property indemnification clauses. TSYS generally agrees to indemnify its clients, subject to certain exceptions, against legal claims that TSYS services or systems infringe on certain third party patents, copyrights or other proprietary rights. In the event of such a claim, TSYS is generally obligated to hold the client harmless and pay for related losses, liabilities, costs and expenses, including, without limitation, court costs and reasonable attorney's fees. TSYS has not made any indemnification payments in relation to these indemnification clauses.

Synovus has not recorded a liability for guarantees or indemnities in the accompanying consolidated balance sheets since the maximum amount of potential future payments under such guarantees and indemnities is not determinable.

**Table of Contents**

**Note 11 Recently Adopted Accounting Pronouncements**

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets (SFAS No. 156). SFAS No. 156 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations and requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. The provisions of this statement are effective as of the beginning of the first fiscal year that begins after September 15, 2006. Synovus adopted SFAS No. 156 effective January 1, 2007. The impact of adoption of SFAS No. 156 was not material to Synovus financial position, results of operations or cash flows.

In September 2006, the FASB's Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 06-5,

Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4 (EITF 06-5). EITF 06-5 requires that a determination of the amount that could be realized under an insurance contract should (1) consider any additional amounts beyond cash surrender value included in the contractual terms of the policy and (2) be based on an assumed surrender at the individual policy or certificate level, unless all policies or certificates are required to be surrendered as a group. EITF 06-5 is effective for fiscal periods beginning after December 15, 2006. Synovus adopted EITF 06-05 effective January 1, 2007. The impact of adoption of EITF 06-05 was not material to Synovus financial position, results of operations or cash flows.

**Note 12 Subsequent Event**

At its meeting on July 26, 2007, the Synovus Board of Directors appointed a special committee of independent directors to consider all issues related to the potential distribution of Synovus ownership interest in TSYS to Synovus shareholders in a spin-off transaction. Although no specific timeframe for committee and Board deliberations will be defined, management hopes to be able to announce the Board's decision no later than Synovus third quarter analyst call. No assurances can be given regarding the timing or terms of any spin-off, or whether any spin-off will in fact occur.

**Table of Contents**

**ITEM 2 MANAGEMENT'S DISCUSSION  
AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**Executive Summary**

The following financial review provides a discussion of Synovus' financial condition, changes in financial condition, and results of operations.

**About Our Business**

Synovus is a diversified financial services holding company, based in Columbus, Georgia, with more than \$33 billion in assets. Synovus operates two business segments: the Financial Services segment and the Transaction Processing Services segment. The Financial Services segment provides integrated financial services including banking, financial management, insurance, mortgage, and leasing services through 39 subsidiary banks and other Synovus offices in five southeastern states. At June 30, 2007, our subsidiary banks ranged in size from \$96.4 million to \$6.28 billion in total assets. The Transaction Processing Services segment provides electronic payment processing services through our 81% owned subsidiary Total System Services, Inc. (TSYS), one of the world's largest companies for outsourced payment services. Our ownership in TSYS gives us a unique business mix: for the first six months of 2007, 54% of our consolidated revenues and 32% of our net income came from TSYS.

**Our Key Financial Performance Indicators**

In terms of how we measure success in our business, the following are our key financial performance indicators:

**Financial Services**

Loan Growth

Core Deposit Growth

Net Interest Margin

Credit Quality

Fee Income Growth

Expense Management

**TSYS**

Revenue Growth

Expense Management

Operating Margin

**2007 Financial Performance Highlights**

**Consolidated**

Net income of \$162.8 million, up 6.5%, and \$309.5 million, up 7.7% for the three and six months ended June 30, 2007 as compared to the same periods in 2006.

Diluted net income per share of \$0.49 for the three months ended June 30, 2007 and \$0.94 for the six months ended June 30, 2007, up 5.0% and 4.8%, respectively, over the same periods a year ago.

**Financial Services**

Net income growth: 3.1% and 5.0% for the three and six months ended June 30, 2007, respectively, over the corresponding periods in the prior year.

**Table of Contents**

Net interest margin: 4.05% and 4.07% for the three and six months ended June 30, 2007, respectively, as compared to 4.39% and 4.36% for the same periods in 2006.

Loan growth: 7.9% increase from June 30, 2006

Credit quality:

Non-performing assets ratio of 0.87%, compared to 0.50% at December 31, 2006 and 0.48% at June 30, 2006.

Past dues over 90 days and still accruing interest as a percentage of total loans of 0.09%, compared to 0.14% at December 31, 2006 and 0.08% at June 30, 2006.

Total past dues still accruing interest as a percentage of total loans of 0.64% compared to 0.62% at December 31, 2006 and 0.47% at June 30, 2006.

Net charge-off ratio of 0.25% for the three months ended June 30, 2007 compared to 0.17% for the three months ended June 30, 2006, and 0.19% compared to 0.21% for the first six months of 2007 and 2006, respectively.

Core deposit (total deposits less brokered time deposits) growth: 9.0% increase from June 30, 2006.

Fee income: up 7.7% for the three months ended June 30, 2007 and 6.6% for the six months ended June 30, 2007 compared to the corresponding periods in the prior year.

Non-interest expense up 3.8% for the three months ended June 30, 2007 and 6.2% for the first six months of 2007 over the corresponding periods in the prior year.

**TSYS**

Revenue growth before reimbursable items: 6.2% and 5.3% for the three and six months ended June 30, 2007 over the corresponding periods in the prior year.

Expense growth before reimbursable items: 3.9% and 2.0% for the three and six months ended June 30, 2007 over the corresponding periods in the prior year.

Net income growth: 14.4% and 14.1% for the three and six months ended June 30, 2007 over the corresponding periods in the prior year.

Other highlights at TSYS include:

TSYS completed the pilot program for the Wal-Mart Money Card, issued by General Electric and reloaded through Green Dot's national reloading network, which was available in 2,600 Wal-Mart stores at the end of July 2007.

JP Morgan Chase & Co. (Chase) discontinued its processing agreement at the end of July 2007 according to the original schedule and began processing in-house using a modified version of TSYS' processing system.

TSYS completed the Capital One Conversion in the first quarter of 2007.

Other highlights at Synovus include:

At its meeting on July 26, 2007, the Synovus Board of Directors appointed a special committee of independent directors to consider all issues related to the potential distribution of Synovus' ownership interest in TSYS to Synovus' shareholders in a spin-off

## **Table of Contents**

transaction. Although no specific timeframe for committee and Board deliberations will be defined, Synovus management hopes to be able to announce the Board's decision no later than the third quarter analyst conference call. However, no assurances can be given regarding the timing or terms of any spin-off, or whether any spin-off will in fact occur. The 2007 net income per share estimate of \$1.90 to \$1.95 (described below under the heading 2007 Earnings Outlook ) does not include the expenses associated with the potential spin-off transaction.

### **2007 Earnings Outlook**

Synovus expects 2007 diluted net income per share to be in the range of \$1.90 to \$1.95, based in part upon the following assumptions for the year:

Mid to high single digit loan growth.

Net interest margin in the 4.05% - 4.10% range.

Net charge-off ratio of approximately 0.25%.

TSYS net income growth within its range of guidance.

### **Critical Accounting Policies**

The accounting and financial reporting policies of Synovus conform to U.S. generally accepted accounting principles and to general practices within the banking and electronic payment processing 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. The application of these policies has a significant impact on Synovus' financial statements. Synovus' financial results could differ significantly if different judgments or estimates are applied in the application of these policies.

Synovus' critical accounting policies are described in the Financial Review section of Synovus' 2006 Annual Report on Form 10-K. Except as discussed below, there have been no material changes to Synovus' critical accounting policies, estimates, and assumptions, or the judgments affecting the application of these estimates and assumptions in 2007. During the three months ended June 30, 2007, Synovus implemented certain refinements to its allowance for loan losses methodology, specifically the way that loss factors are derived. These refinements resulted in a reallocation of the factors used to determine the allocated and unallocated components of the allowance along with a more disaggregated approach to estimate the required allowance by loan portfolio classification. These changes did not have a significant impact on the total allowance for loan losses or provision for losses on loans.

#### **Allowance for Loan Losses**

Note 5 in the notes to consolidated financial statements of Synovus' 2006 Annual Report on Form 10-K contains a discussion of the allowance for loan losses. The allowance for loan losses is determined based on an analysis which assesses the risk within the loan portfolio. Significant judgments or estimates made in the determination of the allowance for loan losses consist of the risk ratings for loans in the commercial loan portfolio, the valuation of the collateral for loans that are classified as impaired loans, and the qualitative loss factors.

## **Table of Contents**

### *Commercial Loans Risk Ratings and Loss Factors*

Commercial loans are assigned a risk rating on a nine point scale. For commercial loans that are not considered impaired, the allocated allowance for loan losses is determined based upon the loss percentage factors that correspond to each risk rating. Synovus uses a well-defined risk rating methodology, and has established policies that require checks and balances to manage the risks inherent in estimating loan losses.

The risk ratings are based on the borrowers credit risk profile, considering factors such as debt service history and capacity, inherent risk in the credit (e.g., based on industry type and source of repayment), and collateral position. Ratings 6 through 9 are modeled after the bank regulatory classifications of *special mention*, *substandard*, *doubtful*, and *loss*. Loss percentage factors are based on the probable loss including qualitative factors. The probable loss considers the probability of default, the loss given default, and certain qualitative factors as determined by loan category and risk rating. The probability of default and loss given default were based on industry data. The qualitative factors consider credit concentrations, recent levels and trends in delinquencies and nonaccrual loans, and growth in the loan portfolio. The occurrence of certain events could result in changes to the loss factors. Accordingly, these loss factors are reviewed periodically and modified as necessary.

Each loan is assigned a risk rating during the approval process. This process begins with a rating recommendation from the loan officer responsible for originating the loan. The rating recommendation is subject to approvals from other members of management and/or loan committees depending on the size and type of credit. Ratings are re-evaluated at least every twelve months in connection with the loan review process at each bank. Additionally, an independent holding company credit review function evaluates each bank's risk rating process at least every twelve to eighteen months.

### *Impaired Loans*

Management considers a loan to be impaired when the ultimate collectibility of all amounts due according to the contractual terms of the loan agreement are in doubt. A majority of our impaired loans are collateral dependent. The impairment on these loans is determined based upon fair value estimates (net of selling costs) of the respective collateral. The actual losses on these loans could differ significantly if the fair value of the collateral is different from the estimates used by Synovus in determining the impairment. The majority of Synovus' impaired loans are secured by real estate. The fair value of these real estate properties is generally determined based upon appraisals performed by a certified or licensed appraiser. Management also considers other factors or recent developments which could result in adjustments to the collateral value estimates indicated in the appraisals.

### *Retail Loans Loss Factors*

The allocated allowance for loan losses for retail loans is generally determined by segregating the retail loan portfolio into pools of homogeneous loan categories. Loss factors applied to these pools are based on the probable loss including qualitative factors. The probable loss considers the probability of default, the loss given default, and certain qualitative factors as determined by loan category and risk rating. The probability of default and loss given default were based on industry data. The qualitative factors consider credit concentrations, recent levels and trends in delinquencies and nonaccrual loans, and growth in the loan portfolio. The occurrence of certain events could result in changes to the loss factors. Accordingly, these loss factors are reviewed periodically and modified as necessary.

### *Unallocated Loss Factors*

Unallocated loss factors included in the determination of the unallocated allowance are economic factors, changes in the experience, ability, and depth of lending management and staff, and

## **Table of Contents**

changes in lending policies and procedures, including underwriting standards. Certain macro- economic factors and changes in business conditions and developments could have a material impact on the collectibility of the overall portfolio. This would impact the allowance for loan losses and corresponding credit costs. As an example, a rapidly rising interest rate environment could have a material impact on certain borrowers' ability to pay.

### **Business Combinations and Discontinued Operations**

Refer to Note 6 of the Notes to Consolidated Financial Statements (unaudited) for a discussion of business combinations and discontinued operations.

### **Balance Sheet**

During the first six months of 2007, total assets increased \$1.37 billion. The more significant increases consisted of loans, net of unearned income, up \$887.2 million, federal funds sold and securities purchased under resale agreements up \$140.6 million, and investment securities available for sale up \$206.5 million.

Providing the necessary funding for the balance sheet growth during the first six months of 2007, the core deposit base (total deposits excluding brokered time deposits) grew \$442.0 million, brokered time deposits grew \$261.5 million, federal home loan bank advances (a component of long-term debt) increased \$332.5 million, and shareholders' equity increased \$217.1 million.

### **Trading Account Assets**

The trading account assets portfolio is substantially comprised of mortgage-backed securities which are bought and held principally for sale and delivery to correspondent and retail customers of Synovus. Trading account assets are reported on the consolidated balance sheets at fair value, with unrealized gains and losses included in other operating income on the consolidated statements of income.

### **Loans**

At June 30, 2007, loans outstanding were \$25.54 billion, an increase of \$1.88 billion, or 7.9%, over June 30, 2006. On a sequential quarter basis, total loans outstanding grew by \$318.1 million or 5.1% annualized.

Total loans as of June 30, 2007 for the five southeastern state areas in which Synovus' banks are located include loans by state of: Georgia \$13.43 billion, South Carolina \$3.82 billion, Alabama \$3.56 billion, Florida \$3.57 billion, and Tennessee \$1.16 billion. As a percentage of the total loan portfolio, loans by state at June 30, 2007, December 31, 2006, and June 30, 2006 were: Georgia 52.6%, 52.8%, and 52.6%, South Carolina 14.9%, 14.5%, and 14.1%, Alabama 14.0%, 14.5%, and 14.7%, Florida 14.0%, 13.9%, and 14.3%, and Tennessee 4.5%, 4.3%, and 4.3%, respectively.

At June 30, 2007, total loans in the Atlanta market were \$5.0 billion, or 19.6% of the total loan portfolio, and increased \$642.4 million, or 14.7%, over the same period in the prior year. The Atlanta market included commercial real estate (CRE) loans of \$2.97 billion and commercial and industrial (C&I) loans of \$1.65 billion at June 30, 2007. Compared to June 30, 2006, CRE loans and C&I loans in the Atlanta market increased by \$393.1 million, or 15.2%, and \$218.9 million, or 15.3%, respectively. On a sequential quarter basis, Atlanta market loans grew at an



## **Table of Contents**

annualized rate of 2.7%, CRE loans declined by an annualized rate of 4.9%, and C&I loans grew at an annualized rate of 16.9%.

Total loans in coastal markets were \$3.54 billion, representing 13.9% of the total loan portfolio at June 30, 2007, and increased \$169.8 million, or 5.0%, over the same period in the prior year. Compared to June 30, 2006, CRE loans in the coastal market decreased by \$1.3 million, or 0.1%, and C&I loans increased by \$169.9 million, or 14.8%. On a sequential quarter basis, loans in coastal markets grew at an annualized rate of 7.6%, and CRE loans and C&I loans grew at annualized rates of 2.9% and 17.1%, respectively.

Total loans in other markets (excluding the Atlanta and coastal markets) at June 30, 2007 were \$16.98 billion, or 66.5% of the total loan portfolio, and increased \$1.06 billion, or 6.6% over the same period in the prior year. Compared to June 30, 2006, CRE loans increased by \$501.3 million, or 8.0%, while C&I loans increased by \$381.4 million, or 5.4%. On a sequential quarter basis, loans in other markets grew at annualized rates of 5.2%, and CRE loans and C&I loans grew at annualized rates of 5.5% and 4.7%, respectively.

Loans for land acquisition grew by \$28.0 million, or 4.0% annualized, from December 31, 2006, and decreased by \$86.1 million, or 22.8% annualized, from March 31, 2007.

Loans for other investment property grew by \$210 million, or 97.4% annualized, from December 31, 2006, and increased \$114.7 million, or 86.9% annualized, from March 31, 2007. The primary areas which contributed to the increase in other investment property were loans in Georgia, South Carolina and Alabama. Other investment property consists of warehouses, manufacturing facilities, mini-storage facilities, and all other non-owner occupied CRE.

Loans for residential development increased by \$261.6 million, or 25.9% annualized, while loans for commercial development increased by \$44.3 million, or 10.2% annualized, from December 31, 2006. On a linked-quarter basis, loans for residential development increased by \$119.2 million, or 22.0% annualized, while loans for commercial development increased by \$54.0 million, or 25.0% annualized, from March 31, 2007.

Synovus continues to better balance the mix of its loan growth. As part of Synovus' commercial banking strategy, our goal is to grow commercial and industrial loans by 10% for the year. During the six months ended June 30, 2007, this category grew by 8.6%, annualized, compared to December 31, 2006.

Retail loans at June 30, 2007 total \$3.73 billion, representing 14.6% of the total loan portfolio. Total retail loans grew by 6.0% on a year over year basis and 5.5% on a sequential quarter basis, led principally by growth in home equity and consumer mortgage loans. Credit card balances were up approximately 5.5% over the prior year.

### **Credit Quality**

The non-performing assets ratio was 0.87% at June 30, 2007 compared to 0.50% at December 31, 2006 and 0.48% at June 30, 2006. Total non-performing assets were \$222.0 million at June 30, 2007, up \$51.5 million from March 31, 2007, and up \$99.5 million from December 31, 2006. The net charge-off ratio for the three months ended June 30, 2007 was 0.25% compared to 0.17% for the same period of 2006 and 0.39% for the year ended December 31, 2006. The net charge-off ratio for the six months ended June 30, 2007 was 0.19% compared to 0.21% for the same period of 2006 and 0.26% for the year ended December 31, 2006.

**Table of Contents**

The majority of the increase in non-performing assets during 2007 is the result of an increase in non-performing loans within the one to four family and residential development portfolios located in the Atlanta and west coast of the Florida peninsula markets. A substantial majority (approximately 95%) of the total non-performing loans in the one to four family and residential development portfolio relate to loans in Florida (43%) and Georgia (52%), primarily in the previously mentioned markets within those states.

Past due levels remained favorable, with total loans past due (and still accruing interest) at 0.64% of loans. Loans over 90 days past due and still accruing interest at June 30, 2007 were \$23.1 million, or 0.09% of total loans, compared to 0.14% at December 31, 2006 and 0.08% at June 30, 2006. 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 on the loans. Management further believes the resolution of these delinquencies will not cause a material increase in non-performing assets.

The allowance for loan losses is \$331.1 million, or 1.30% of net loans, at June 30, 2007 compared to \$314.5 million, or 1.28% of net loans, at December 31, 2006. The allowance to non-performing loans coverage was 183.17% at June 30, 2007, compared to 325.45% at December 31, 2006. The change in the coverage ratio was impacted by the increase in collateral dependent impaired loans, which have no allowance for loan losses since the estimated losses have been recognized as current period charge-offs.

The provision for losses on loans was \$20.3 million for the three months ended June 30, 2007 compared to \$18.5 million for the three months ended June 30, 2006. For the six months ended June 30, 2007, the provision for loan losses was \$40.8 million compared to \$38.1 million for the same period in 2006. For the six months ended June 30, 2007, total provision expense covered net charge-offs by 1.69 times compared to 1.59 times for the same period a year ago.

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
<i>(Dollars in thousands)</i>		
Non-performing loans	<b>\$ 180,776</b>	96,622
Other real estate	<b>41,259</b>	25,923
Non-performing assets	<b>\$ 222,035</b>	122,545
Loans over 90 days past due and still accruing	<b>\$ 23,067</b>	34,495
As a % of loans	<b>0.09%</b>	0.14%
Allowance for loan losses	<b>\$ 331,130</b>	314,459
Allowance for loan losses as a % of loans	<b>1.30%</b>	1.28%
As a % of loans and other real estate:		
Non-performing loans	<b>0.71%</b>	0.39%
Other real estate	<b>0.16</b>	0.11
Non-performing assets	<b>0.87%</b>	0.50%
Allowance to non-performing loans	<b>183.17%</b>	325.45%



**Table of Contents**

Management continuously monitors non-performing and past due loans, to prevent further deterioration regarding the condition of these loans. Management believes non-performing loans and loans past due over 90 days and still accruing include all material loans where known information about possible credit problems of borrowers causes management to have serious doubts as to the collectibility of amounts due according to the contractual terms of the loan agreement.

The following table shows the composition of the loan portfolio and non-performing loans (classified by loan type) as of June 30, 2007.

<i>(Dollars in thousands)</i>		<b>% of Total Loans Outstanding</b>	<b>Total Non- performing Loans</b>	<b>% of Total Non- performing Loans</b>
<b>Loan Type</b>	<b>Total Loans</b>			
Multi-Family	\$ 489,453	1.9%	\$ 362	0.2%
Hotels	581,376	2.3		
Office Buildings	857,360	3.4	3,339	1.9
Shopping Centers	712,210	2.8		
Commercial Development	920,913	3.6	1,518	0.8
Other Investment Property	644,109	2.5	740	0.4
<b>Total Investment Properties</b>	<b>4,205,421</b>	<b>16.5</b>	<b>5,959</b>	<b>3.3</b>
1-4 Family Construction	2,382,147	9.3	39,389	21.8
1-4 Family Perm/Mini-Perm	1,167,658	4.6	21,651	12.0
Residential Development	2,297,806	9.0	31,674	17.5
<b>Total 1-4 Family Properties</b>	<b>5,847,611</b>	<b>22.9</b>	<b>92,714</b>	<b>51.3</b>
<b>Land Acquisition</b>	<b>1,430,431</b>	<b>5.6</b>	<b>10,553</b>	<b>5.8</b>
<b>Total Commercial Real Estate</b>	<b>11,483,463</b>	<b>45.0</b>	<b>109,226</b>	<b>60.4</b>
Commercial, Financial, and Agricultural	6,246,493	24.4	41,100	22.7
Owner-Occupied	4,132,559	16.2	18,929	10.5
<b>Total Commercial and Industrial</b>	<b>10,379,052</b>	<b>40.6</b>	<b>60,029</b>	<b>33.2</b>
Home Equity	1,417,681	5.6	3,355	1.9
Consumer Mortgages	1,544,932	6.0	6,557	3.6
Credit Cards	280,806	1.1		
Other Retail Loans	483,820	1.9	1,609	0.9
<b>Total Retail</b>	<b>3,727,239</b>	<b>14.6</b>	<b>11,521</b>	<b>6.4</b>

<b>Unearned Income</b>	(48,012)	(0.2)		
<b>Total</b>	\$ 25,541,742	100.0%	\$ 180,776	100.0%

**Table of Contents**

The following table compares the composition of the loan portfolio at June 30, 2007, December 31, 2006, and June 30, 2006.

	<b>Total Loans</b>		<b>June 30, 2007 vs.</b>	<b>Total Loans</b>	
	<b>Dec. 31,</b>		<b>Dec. 31, 2006</b>	<b>June 30, 2006</b>	
	<b>%</b>		<b>%</b>	<b>%</b>	
	<b>change</b>		<b>change</b>	<b>change</b>	
	<b>(1)</b>		<b>(1)</b>	<b>(1)</b>	
<i>(Dollars in thousands)</i>	<b>June 30, 2007</b>	<b>2006</b>		<b>June 30, 2006</b>	
<b>Loan Type</b>					
Multi-Family	\$ 489,453	\$ 505,586	(6.4)%	\$ 532,278	(8.0)%
Hotels	581,376	643,180	(19.4)	680,771	(14.6)
Office Buildings	857,360	881,658	(5.6)	869,955	(1.4)
Shopping Centers	712,210	764,924	(13.9)	717,644	(0.8)
Commercial Development	920,913	876,570	10.2	913,642	0.8
Other Investment Property	644,109	434,298	97.4	411,340	56.6
<b>Total Investment Properties</b>	<b>4,205,421</b>	<b>4,106,216</b>	<b>4.9</b>	<b>4,125,630</b>	<b>1.9</b>
1-4 Family Construction	2,382,147	2,347,025	3.0	2,140,393	11.3
1-4 Family Perm/Mini-Perm	1,167,658	1,193,895	(4.4)	1,178,113	(0.9)
Residential Development	2,297,806	2,036,207	25.9	1,873,333	22.7
<b>Total 1-4 Family Properties</b>	<b>5,847,611</b>	<b>5,577,127</b>	<b>9.8</b>	<b>5,191,839</b>	<b>12.6</b>
<b>Land Acquisition</b>	<b>1,430,431</b>	<b>1,402,402</b>	<b>4.0</b>	<b>1,272,921</b>	<b>12.4</b>
<b>Total Commercial Real Estate</b>	<b>11,483,463</b>	<b>11,085,745</b>	<b>7.2</b>	<b>10,590,390</b>	<b>8.4</b>
Commercial, Financial, and Agricultural	6,246,493	5,875,854	12.7	5,589,922	11.7
Owner-Occupied	4,132,559	4,080,742	2.6	4,017,147	2.9
<b>Total Commercial and Industrial</b>	<b>10,379,052</b>	<b>9,956,596</b>	<b>8.6</b>	<b>9,607,069</b>	<b>8.0</b>
Home Equity	1,417,681	1,364,030	7.9	1,245,895	13.8
Consumer Mortgages	1,544,932	1,517,850	3.6	1,493,278	3.5
Credit Cards	280,806	276,269	3.3	266,233	5.5
Other Retail Loans	483,820	500,757	(6.8)	511,398	(5.4)
<b>Total Retail</b>	<b>3,727,239</b>	<b>3,658,905</b>	<b>3.8</b>	<b>3,516,804</b>	<b>6.0</b>

<b>Unearned Income</b>	(48,012)	(46,695)	5.7	(52,299)	(8.2)
<b>Total</b>	\$ 25,541,742	\$ 24,654,552	7.3%	\$ 23,661,964	7.9%

(1) Percentage changes are annualized.

## **Table of Contents**

### **Deposits**

Total deposits at June 30, 2007 were \$25.0 billion, an increase of \$155.5 million, or 2.5% annualized, compared to March 31, 2007, and \$1.94 billion, or 8.4%, compared to June 30, 2006. Total deposits excluding brokered time deposits (core deposits) decreased \$46.2 million, or 0.9% on an annualized basis, compared to March 31, 2007, and increased \$1.79 billion, or 9.0%, compared to June 30, 2006. This growth in total deposits compared to the prior quarter was due to growth in brokered time deposits, while the growth in deposits compared to the prior year was driven by growth in money market accounts and to a lesser degree, growth in time deposits. The growth in money market deposit balances reflects a continued customer preference towards this type of product.

On a sequential quarter basis, average core deposits grew at an annualized rate of 6.2%. The primary contributor to this increase was growth in money market accounts which grew at an annualized rate of 17.2%.

### **Capital Resources and Liquidity**

Synovus has always placed great emphasis on maintaining a strong capital base and continues to exceed regulatory capital requirements. Additionally, based on internal calculations and previous regulatory exams, each of the subsidiary banks is currently in compliance with regulatory capital guidelines. Total risk-based capital was \$4.60 billion at June 30, 2007, compared to \$4.32 billion at December 31, 2006. The ratio of total risk-based capital to risk-weighted assets was 14.68% at June 30, 2007 compared to 14.43% at December 31, 2006. The leverage ratio was 10.99% at June 30, 2007 compared to 10.64% at December 31, 2006. The equity-to-assets ratio was 11.82% at June 30, 2007 compared to 11.64% at year-end 2006.

Synovus management, operating under liquidity and funding policies approved by the Board of Directors, actively analyzes and manages the liquidity position in coordination with the subsidiary banks. Management must ensure that adequate liquidity, at a reasonable cost, is available to meet the cash flow needs of depositors, borrowers, and creditors. Management constantly monitors and maintains appropriate levels of assets and liabilities so as to provide adequate funding sources to meet estimated customer deposit withdrawals and future loan requests. Subsidiary banks have access to overnight federal funds lines with various financial institutions, which total approximately \$3.7 billion and can be drawn upon for short-term liquidity needs. Banking liquidity and sources of funds have not changed significantly since December 31, 2006.

The Parent Company requires cash for various operating needs including dividends to shareholders, acquisitions, capital infusions into subsidiaries, the servicing of debt, and the payment of general corporate expenses. The primary source of liquidity for the Parent Company is dividends from the subsidiary banks, which are governed by certain rules and regulations of various state and federal banking regulatory agencies. As a short-term liquidity source, the Parent Company has access to a \$25 million line of credit with an unaffiliated banking organization. Synovus had no borrowings outstanding on this line of credit at June 30, 2007.

The consolidated statements of cash flows detail cash flows from operating, investing, and financing activities. For the six months ended June 30, 2007, operating activities provided net cash of \$235.1 million, investing activities used \$1.40 billion, and financing activities provided \$1.15 billion, resulting in a decrease in cash and due from banks of \$7.6 million.



**Table of Contents**

**Earning Assets, Sources of Funds, and Net Interest Income**

Average total assets for the first six months of 2007 were \$32.37 billion, up 12.9% over the first six months of 2006. Average earning assets were up 12.5% in the first six months of 2007 over the same period in 2006, and represented 88.8% of average total assets. When compared to the same period last year, average deposits increased \$3.03 billion, average federal funds purchased and other short-term liabilities increased \$49.2 million, average long-term debt decreased \$172.1 million, and average shareholders' equity increased \$615.3 million. This growth provided the funding for \$2.70 billion growth in average net loans, a \$443.8 million growth in average investments, and a \$37.0 million increase in average mortgage loans held for sale.

Net interest income for the six months ended June 30, 2007 was \$578.2 million up \$28.6 million, or 5.2%, over \$549.6 million for the six months ended June 30, 2006. Net interest income for the three months ended June 30, 2007 was \$291.9 million, an increase of \$4.7 million, or 1.6%, over \$287.2 million for the three months ended June 30, 2006.

The net interest margin for the six months ended June 30, 2007 was 4.07%, down 29 basis points from 4.36% for the six months ended June 30, 2006. Compared to the six months ended June 30, 2006, earning asset yields increased by 40 basis points, principally driven by a 40 basis point increase in loan yields, which was offset by an increase of 69 basis points in the effective cost of funds. The increase in the effective cost of funds over the six months ended June 30, 2006 was primarily due to a 70 basis point increase in the cost of money market deposits, and a 101 basis point increase in the cost of time deposits, excluding brokered deposits.

On a sequential quarter basis, net interest income increased by \$5.6 million, while the net interest margin decreased 5 basis points to 4.05%. The net interest margin decline was comprised of a 1 basis point decrease in the yield on earning assets and a 4 basis point increase in the effective cost of funds. The margin decrease was driven by several factors, including continued customer demand for lower yielding fixed rate loans, lower demand deposit growth and a higher level of non-performing assets.

Synovus expects the net interest margin for the year to be within the range of 4.05% - 4.10%. Opportunities for repricing higher cost certificates of deposit and maturing lower yielding investments should provide positive support for the margin in the second half of 2007. Competitive conditions and the potential for continued customer preference for higher yielding deposits are the primary margin challenges faced by Synovus.

**Table of Contents**

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:

<i>(Dollars in thousands)</i>	<b>2007</b>		<b>2006</b>		
	<b>Second Quarter</b>	<b>First Quarter</b>	<b>Fourth Quarter</b>	<b>Third Quarter</b>	<b>Second Quarter</b>
<b>Interest Earning Assets</b>					
Taxable Investment Securities	\$ 3,420,831	3,301,137	3,178,852	3,025,507	3,008,122
Yield	4.83%	4.77	4.51	4.39	4.21
Tax-Exempt Investment Securities	\$ 178,183	185,012	193,737	197,024	202,676
Yield	6.75%	6.84	6.95	6.70	6.73
Trading Account Assets	\$ 59,311	64,204	34,471	53,181	47,398
Yield	6.47%	5.65	6.67	5.30	5.72
Commercial Loans	\$21,739,107	21,242,921	20,791,108	20,407,139	19,723,353
Yield	8.20%	8.24	8.25	8.23	7.99
Consumer Loans	\$ 896,267	928,256	928,521	929,964	898,210
Yield	8.14%	8.01	7.98	7.96	7.88
Mortgage Loans	\$ 1,110,754	1,081,760	1,089,794	1,091,425	1,071,477
Yield	7.03%	6.98	6.99	6.93	6.82
Credit Card Loans	\$ 275,105	270,444	268,705	265,120	260,010
Yield	10.64%	11.17	10.89	10.86	10.81
Home Equity Loans	\$ 1,407,005	1,385,012	1,316,842	1,252,803	1,231,592
Yield	7.82%	7.68	7.82	7.97	7.69
Allowance for Loan Losses	\$ (329,028)	(317,977)	(317,603)	(318,195)	(307,674)
Loans, Net	\$25,099,209	24,590,415	24,077,367	23,628,256	22,876,968
Yield	8.26%	8.28	8.29	8.29	8.06
Mortgage Loans Held for Sale	\$ 163,364	160,482	149,113	130,196	132,605
Yield	6.18%	6.07	6.02	6.51	7.08
Federal Funds Sold and Other Short-Term Investments	\$ 131,092	147,932	120,804	155,200	139,923
Yield	5.42%	5.61	5.40	5.32	5.07
<b>Total Interest Earning Assets</b>					
<b>Assets</b>	<b>\$29,051,989</b>	<b>28,449,181</b>	<b>27,754,344</b>	<b>27,189,364</b>	<b>26,407,692</b>
<b>Yield</b>	<b>7.81%</b>	<b>7.82</b>	<b>7.83</b>	<b>7.81</b>	<b>7.58</b>
<b>Interest Bearing Liabilities</b>					
Interest Bearing Demand Deposits	\$ 3,141,899	3,113,531	3,034,375	2,946,646	3,040,292
Rate	2.28%	2.30	2.18	2.03	1.81
Money Market Accounts	\$ 7,388,012	7,083,633	6,956,181	6,587,365	6,196,865
Rate	4.49%	4.49	4.45	4.38	4.00
Savings Deposits	\$ 497,422	502,948	514,317	547,779	573,776
Rate	0.57%	0.68	0.72	0.72	0.69
	\$ 3,020,881	3,037,815	3,003,141	2,917,518	2,738,528

Time Deposits under \$100,000					
Rate	<b>4.85%</b>	4.79	4.64	4.38	3.92
Time Deposits over \$100,000 (less brokered time deposits)	<b>\$ 4,118,221</b>	4,101,471	3,997,493	3,756,853	3,362,304
Rate	<b>5.19%</b>	5.15	5.07	4.92	4.44
Total Interest Bearing Core Deposits	<b>\$ 18,166,435</b>	17,839,398	17,505,507	16,756,161	15,911,765
Rate	<b>4.22%</b>	4.20	4.12	3.97	3.54
Brokered Time Deposits	<b>\$ 3,175,161</b>	3,030,793	3,137,889	3,165,905	2,740,674
Rate	<b>5.05%</b>	5.08	5.01	4.85	4.57
Total Interest Bearing Deposits	<b>\$ 21,341,596</b>	20,870,191	20,643,396	19,922,066	18,652,438
Rate	<b>4.34%</b>	4.33	4.26	4.11	3.69
Federal Funds Purchased and Other Short-Term Liabilities	<b>\$ 1,711,310</b>	1,690,049	1,283,832	1,553,699	1,772,113
Rate	<b>4.90%</b>	4.87	4.72	4.73	4.76
Long-Term Debt	<b>\$ 1,565,014</b>	1,450,466	1,360,635	1,364,226	1,586,586
Rate	<b>5.12%</b>	5.05	4.90	4.57	4.42
<b>Total Interest Bearing Liabilities</b>	<b>\$ 24,617,920</b>	24,010,706	23,287,863	22,839,991	22,011,138
<b>Rate</b>	<b>4.43%</b>	4.41	4.32	4.18	3.83
Non-Interest Bearing Demand Deposits	<b>\$ 3,372,063</b>	3,372,105	3,469,233	3,528,942	3,511,554
<b>Net Interest Margin</b>	<b>4.05%</b>	4.10	4.20	4.30	4.39

**Table of Contents**

Yields earned on average interest-earning assets and rates paid on average interest-bearing liabilities for the six months ended June 30, 2007 and 2006 are presented below:

	<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Interest Earning Assets</b>		
Taxable Investment Securities	\$ 3,361,314	2,916,216
Yield	4.80%	4.15
Tax-Exempt Investment Securities	\$ 181,579	202,057
Yield	6.79%	6.79
Trading Account Assets	\$ 61,744	42,565
Yield	6.04%	6.47
Commercial Loans	\$21,492,384	19,065,726
Yield	8.22%	7.79
Consumer Loans	\$ 912,173	855,455
Yield	8.07%	8.00
Mortgage Loans	\$ 1,096,337	1,055,696
Yield	7.01%	6.75
Credit Card Loans	\$ 272,787	260,130
Yield	10.90%	10.82
Home Equity Loans	\$ 1,396,069	1,209,992
Yield	7.76%	7.50
Allowance for Loan Losses	\$ (323,533)	(301,281)
Loans, Net	\$24,846,217	22,145,719
Yield	8.27%	7.87
Mortgage Loans Held for Sale	\$ 161,931	124,888
Yield	6.13%	6.86
Federal Funds Sold and Time Deposits with Banks	\$ 139,465	129,407
Yield	5.52%	4.78
<b>Total Interest Earning Assets</b>	<b>\$28,752,250</b>	<b>25,560,852</b>
<b>Yield</b>	<b>7.81%</b>	<b>7.41</b>
<b>Interest Bearing Liabilities</b>		
Interest Bearing Demand Deposits	\$ 3,127,794	3,022,367
Rate	2.29%	1.72
Money Market Accounts	\$ 7,236,663	5,999,605
Rate	4.49%	3.79
Savings Deposits	\$ 500,170	554,732
Rate	0.62%	0.58
Time Deposits under \$100,000	\$ 3,029,301	2,620,394
Rate	4.82%	3.75
Time Deposits over \$100,000 (less brokered time deposits)	\$ 4,109,892	3,215,792
Rate	5.17%	4.23
Total Interest Bearing Core Deposits	\$18,003,820	15,412,890
Rate	4.21%	3.35

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Brokered Time Deposits	<b>\$ 3,103,376</b>	2,553,568
Rate	<b>5.06%</b>	4.42
Total Interest Bearing Deposits	<b>\$21,107,196</b>	17,966,458
Rate	<b>4.34%</b>	3.50
Federal Funds Purchased and Other Short-Term Borrowings	<b>\$ 1,700,738</b>	1,651,774
Rate	<b>4.88%</b>	4.54
Long-Term Debt	<b>\$ 1,508,067</b>	1,680,175
Rate	<b>5.09%</b>	4.53
<b>Total Interest Bearing Liabilities</b>	<b>\$24,316,000</b>	21,298,407
<b>Rate</b>	<b>4.42%</b>	3.66
Non-Interest Bearing Demand Deposits	<b>\$ 3,372,084</b>	3,477,898
<b>Net Interest Margin</b>	<b>4.07%</b>	4.36

**Table of Contents**

The tax-equivalent adjustment that is required in making yields on tax-exempt loans and investment securities comparable to taxable loans and investment securities is shown in the following table. The taxable-equivalent adjustment is based on a 35% Federal income tax rate.

The following table summarizes the components of net interest income for the six and three months ended June 30, 2007 and 2006.

	Six Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
<i>(In thousands)</i>				
Interest income	\$ 1,112,342	937,206	564,442	497,713
Taxable-equivalent adjustment	2,648	2,931	1,295	1,478
Interest income, Taxable-equivalent	1,114,990	940,137	565,737	499,191
Interest expense	534,171	387,567	272,536	210,510
Net interest income, Taxable-equivalent	\$ 580,819	552,570	293,201	288,681

**Non-Interest Income**

Total non-interest income during the six and three months ended June 30, 2007 increased \$59.7 million, or 5.9%, and \$37.5 million, or 7.3%, over the same periods a year ago, respectively. Excluding reimbursable items, the increase in non-interest income was 5.6% and 6.5%, over the same periods in 2006, respectively.

**Financial Services:**

Total non-interest income for the Financial Services segment for the six and three months ended June 30, 2007 was \$183.8 million and \$96.3 million, up 6.6% and 7.7%, respectively, from the same periods in 2006.

Service charges on deposit accounts, the single largest component of Financial Services fee income, were \$54.4 million and \$28.1 million for the six and three months ended June 30, 2007, down 1.0% and 2.6% from the same periods in 2006, respectively. Service charges on deposit accounts consist of non-sufficient funds (NSF) fees (which represent 69.2% and 69.7% of the total for the six and three months ended June 30, 2007), account analysis fees, and all other service charges.

NSF fees for the six and three months ended June 30, 2007 were \$37.7 million and \$19.6 million, an increase of \$576 thousand, or 1.6%, and a decrease of \$198 thousand, 1.01%, compared to the same periods in 2006. Account analysis fees increased by \$164 thousand, or 2.3%, to \$7.3 million for the six months ended June 30, 2007 compared to the same period in the prior year. Account analysis fees were \$3.7 million for the three months ended June 30, 2007, an increase of \$10 thousand, or 0.3%, compared to the same period in the prior year. All other service charges on deposit accounts, which consist primarily of monthly fees on consumer demand deposit accounts (DDA) and saving accounts, were \$9.4 million for the six months ended June 30, 2007, down \$1.3 million, or 12.2%, compared to the same period in 2006. For the three months ended June 30, 2007, all other service charges on deposit accounts were \$4.8 million, down \$561 thousand, or 10.5%, compared to the same period in 2006. All other service

## **Table of Contents**

charges on demand deposit accounts for the six and three months ended June 30, 2007 declined in comparison to the same periods in 2006 as a result of the continued increase in checking accounts with no monthly service charges as well as the discontinuance of certain online banking fees.

Bankcard fees increased 8.3% to \$23.4 million for the first six months of 2007, and increased 4.3% to \$11.6 million for the first three months of 2007, as compared to the same periods in 2006. Financial management services revenues (which primarily consist of fiduciary and asset management fees, brokerage and investment banking revenue and customer interest rate swap revenue which is included in other fee income) increased 7.2% to \$43.8 million for the six months ended June 30, 2007, and increased 11.4% to \$22.9 million for the three months ended June 30, 2007, as compared to the same periods in 2006. Mortgage banking income grew \$942 thousand, or 6.7%, for the six months ended June 30, 2007, and decreased \$410 thousand, or 5.1%, for the three months ended June 30, 2007, as compared to the same periods in 2006.

During the three months ended June 30, 2007, Synovus recognized a pre-tax gain of \$5.3 million resulting from the increase in the fair value of two private equity investments. Also, during the three months ended June 30, 2007, Synovus transferred its four proprietary mutual funds to Sentinel Asset Management. As a result of the transfer, Synovus recognized a gain, net of applicable income taxes, of \$4.2 million. The gain from the transfer of the mutual funds is reflected as income from discontinued operations in the consolidated statement of income for the three and six months ended June 30, 2007.

### **Transaction Processing Services:**

TSYS revenues are derived from providing electronic payment processing and related services to financial and non-financial institutions, generally under long-term processing contracts.

For a detailed discussion regarding the Financial Overview for TSYS, see Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

### ***Accounts on File***

TSYS provides services to its clients including processing consumer, retail, commercial, government services, stored-value and debit cards. Average accounts on file for the six months ended June 30, 2007 were 426.0 million, a decrease of 0.4% from the average of 427.5 million for the same period in 2006. Total accounts on file at June 30, 2007 were 439.2 million, a 19.8% increase compared to the 366.5 million accounts on file at June 30, 2006. The change in accounts on file from June 2006 to June 2007 included the deconversion of approximately 51.9 million accounts, the purging/sales of 14.0 million accounts, the addition of approximately 33.1 million accounts attributable to the internal growth of existing clients, and approximately 105.5 million accounts from new clients.

### ***Major Customers***

A significant amount of TSYS revenues is derived from long-term contracts with large clients, including its major customers. TSYS derives revenues from providing various processing and other services to these clients, including processing of consumer and commercial accounts, and providing merchant acquiring services, as well as revenues for reimbursable items. The loss of these clients, or any significant client, could have a material adverse effect on TSYS financial position, results of operations and cash flows.

## **Table of Contents**

In October 2006, TSYS deconverted the Bank of America consumer card portfolio. TSYS continues to provide commercial and small business card processing for Bank of America and Bank of America's subsidiary, MBNA, as well as merchant processing for Bank of America, according to the terms of existing agreements for those services. In 2007, TSYS provided card embossing services to Bank of America.

In October 2004, TSYS finalized a definitive agreement with Chase to service the combined card portfolios of Chase Card Services and to upgrade its card-processing technology. Pursuant to the agreement, TSYS converted the consumer accounts of Chase to the modified version of TSYS' processing system in July 2005. In July of 2007, Chase Card Services had the option to either extend the processing agreement for up to five additional two-year periods or migrate the portfolio in-house, under a perpetual license of a modified version of TSYS' processing system with a six-year payment term. Chase discontinued its processing agreement at the end of July 2007 according to the original schedule and began processing in-house using a modified version of TSYS' processing system.

Although the revenues associated with the Chase licensing arrangement are expected to be much lower than the revenues associated with the Chase consumer processing arrangement, management believes the impact should not have a material adverse effect on TSYS' financial position, results of operations or cash flows, as TSYS has planned and implemented a paring down of the resources dedicated to the consumer portfolio through employee attrition and/or redeployment, as well as through equipment lease expirations. TSYS expects to continue to support Chase in processing its commercial portfolio.

With the migration to a licensing arrangement and the resulting reduction in revenues, TSYS believes that the revenues from Chase for periods following the migration will represent less than 10% of TSYS' total consolidated revenues.

### *Electronic Payment Processing Services*

Revenues from electronic payment processing services increased \$20.3 million, or 4.5%, and \$12.0 million, or 5.2%, for the six and three months ended June 30, 2007, respectively, compared to the same periods in 2006. Electronic payment processing revenues are generated primarily from charges based on the number of accounts on file, transactions and authorizations processed, statements mailed, cards embossed and mailed, and other processing services for cardholder accounts on file. Cardholder accounts on file include active and inactive consumer credit, retail, debit, stored value, government services and commercial card accounts. Due to the strong organic growth of TSYS' clients and the expanding use of cards as well as increases in the scope of services offered to clients, revenues relating to electronic payment processing services have continued to grow.



## **Table of Contents**

### *Merchant Acquiring Services*

Merchant acquiring services revenues are derived from providing acquiring solutions, related systems and integrated support services primarily to large financial institutions and other merchant acquirers. Revenues from merchant acquiring services include processing all payment forms including credit, debit, prepaid, electronic benefit transfer and electronic check for merchants of all sizes across a wide array of retail market segments. Merchant acquiring services products and services include: authorization and capture of transactions; clearing and settlement of transactions; information reporting services related to electronic transactions; information reporting services related to transactions; merchant billing services; and point of sale equipment sales and service.

Revenues from merchant acquiring services are mainly generated by TSYS wholly owned subsidiary, TSYS Acquiring, and its majority owned subsidiary, GP Net. Merchant acquiring services revenues for the six and three months ended June 30, 2007 were \$125.0 million and \$64.3 million, respectively, compared to \$129.8 million and \$65.8 million for the same periods in 2006. The decrease is attributable to client deconversions in the terminal distribution businesses as well as price compression. These revenue losses are being slightly offset by internal transaction growth of existing clients.

TSYS Acquiring's results are driven by the authorization and capture transactions processed at the point-of-sale and the number of clearing and settlement transactions. TSYS Acquiring's authorization and data capture transactions are primarily through dial-up or Internet connectivity.

### *Other Transaction Processing Services Revenues*

Revenues from other transaction processing services consist primarily of revenues generated by TSYS wholly owned subsidiaries not included in electronic payment processing services or merchant acquiring services, as well as TSYS business process management services. Revenues from other transaction processing services increased \$18.0 million, or 20.0%, for the six months ended June 30, 2007, as compared to the same period in 2006. For the three months ended June 30, 2007, revenues from other transaction processing services increased \$9.8 million, or 21.9%, as compared to the same period in 2006. The impact of acquisitions on other transaction processing service revenues for the six and three months ended June 30, 2007 was \$10.9 million and \$6.6 million, respectively.

On November 16, 2006, TSYS announced a joint venture with Merchants called TSYS Managed Services. Merchants is a customer-contact company and a wholly-owned subsidiary of Dimension Data. Prior to the agreement, TSYS contracted with Merchants to provide managed services to TSYS international clients, and these services were characterized as reimbursable items. With the new agreement, these services are now characterized as other services revenue.

In May 2006, TSYS collection subsidiary renegotiated a contract with its largest client. One of the provisions that changed related to the handling of attorney fees and court costs. In reviewing the indicators set forth in EITF 99-19,

Reporting Revenue Gross as a Principal versus Net as an Agent, TSYS met the indicators of gross-reporting. Specifically, TSYS is the primary obligor and adds value as part of the service. As a result, TSYS has recognized \$43.9 million and \$24.2 million of attorney fees and court costs for the six and three months ended June 30, 2007, respectively, as reimbursable items.

**Table of Contents***Equity in Income of Equity Investments*

TSYS has two equity investments located in Mexico and China that are accounted for under the equity method of accounting. TSYS' share of income from its equity investments was \$1.0 million for both the three months ended June 30, 2007 and 2006. For the six months ended June 30, 2007 and 2006, TSYS' share of income from its equity in equity investments was \$1.8 million and \$1.9 million, respectively.

**Non-Interest Expense**

For the six and three months ended June 30, 2007, total non-interest expense increased \$44.5 million, or 4.3%, and \$26.1 million, or 4.9%, over the same periods in 2006, respectively. Excluding reimbursable items, the increase was 3.6% and 3.7% over the same periods in the prior year, respectively. Management analyzes non-interest expense in two separate segments: Financial Services and Transaction Processing Services.

The following table summarizes non-interest expense for the six months ended June 30, 2007 and 2006.

	<b>Six months ended June 30, 2007(*)</b>		<b>Six months ended June 30, 2006(*)</b>	
	<b>Financial Services</b>	<b>Transaction Processing Services</b>	<b>Financial Services</b>	<b>Transaction Processing Services</b>
<i>(In thousands)</i>				
Salaries and other personnel expense	\$ 229,749	287,406	221,400	240,613
Net occupancy and equipment expense	54,860	132,304	48,333	148,865
Other operating expenses	108,210	106,984	100,063	126,329
Reimbursable items		182,053		169,112
Total non-interest expense	\$ 392,819	708,747	369,796	684,919

The following table summarizes non-interest expense for the three months ended June 30, 2007 and 2006.

	<b>Three months ended June 30, 2007(*)</b>		<b>Three months ended June 30, 2006(*)</b>	
	<b>Financial Services</b>	<b>Transaction Processing Services</b>	<b>Financial Services</b>	<b>Transaction Processing Services</b>
<i>(In thousands)</i>				
Salaries and other personnel expense	\$ 115,822	146,170	113,951	120,032
Net occupancy and equipment expense	27,572	66,672	24,835	74,663
Other operating expenses	54,628	55,751	52,064	63,407
Reimbursable items		96,061		86,374
Total non-interest expense	\$ 198,022	364,654	190,850	344,476

(\*) The added totals are greater than the consolidated totals due to inter-segment balances which are eliminated in consolidation.

## **Table of Contents**

### **Financial Services:**

Financial Services non-interest expense increased by 6.2% and 3.8% for the six and three months ended June 30, 2007 compared to the same periods in the previous year. For the three months ended June 30, 2007, employment expenses increased by \$1.9 million, or 1.6%, net occupancy and equipment expense increased by \$2.7 million, or 11.0%, and other operating expenses increased by \$2.6 million, or 4.9% compared to the same period in the prior year. The increase in employment expenses includes increases due to the addition of 23 new branch banking locations since June 30, 2006 plus annual compensation adjustments. These increases were offset in part by lower levels of incentive compensation. The increase in occupancy and equipment expenses includes incremental costs associated with acquisitions and the addition of new branch locations. Increased third party data processing fees, and to a lesser degree, the addition of branch locations, are reflected in the increase in other operating expenses.

Total employees for the Financial Services segment at June 30, 2007 were 7,362 compared to 7,189 at December 31, 2006 and 7,066 at June 30, 2006. The net addition of 173 employees during the first six months of 2007 is primarily due to an increase in teller, branch, and seasonal positions.

### **Transaction Processing Services:**

Total non-interest expense increased 3.5% and 5.9% for the six and three months ended June 30, 2007, compared to the same periods in 2006. Excluding reimbursable items, total non-interest expense increased 2.1% and 4.1% for the six and three months ended June 30, 2007, compared to the same period in 2006.

Salaries and other personnel expenses increased \$46.8 million, or 19.4%, and \$26.1 million, or 21.8%, for the six and three months ended June 30, 2007, respectively, compared to the same periods in 2006. The impact of acquisitions on salaries and other personnel expenses for the six and three months ended June 30, 2007 was \$14.7 million and \$8.0 million, respectively. In addition, the change in salaries and other personnel expense is associated with the normal salary increases and related benefits, offset by the level of employment costs capitalized as software development and contract acquisition costs.

Salaries and other personnel expense include the accrual for performance-based incentive benefits, which includes salary bonuses, profit sharing and employer 401(k) expenses. For the three months ended June 30, 2007 and 2006, accruals for performance-based incentives were \$10.7 million and \$6.8 million, respectively. Capitalized salaries and personnel expenses decreased \$13.7 million and \$7.0 million for the six and three months ended June 30, 2007, respectively, as compared to the same period in 2006, as a result of client conversion activity in 2006 being substantially completed by the fourth quarter of 2006.

At June 30, 2007, TSYS had 6,773 employees compared to 6,749 at December 31, 2006 and 6,542 at June 30, 2006. With the acquisitions of TSYS Card Tech and TSYS Managed Services, TSYS added 447 employees.

Net occupancy and equipment expense decreased \$16.6 million, or 11.1%, and \$8.0 million, or 10.7%, for the six and three months ended June 30, 2007 compared to the same periods in 2006, respectively. The impact of acquisitions on net occupancy and equipment expenses for the six

**Table of Contents**

and three months ended June 30, 2007 was \$3.0 million and \$1.5 million, respectively.

Depreciation and amortization decreased for the six and three months ended June 30, 2007, as compared to the same periods in 2006, as a result of the acceleration in 2006 of amortization of software licenses that were based on processing capacity agreements commonly referred to as millions of instructions per second or MIPS. These licenses are amortized using a units-of-production basis. As a result of deconversions during 2006, TSYS' total future MIPS declined, resulting in a decrease in software amortization for the periods subsequent to the deconversion dates. TSYS equipment and software rentals decreased for the six and three months ended June 30, 2007, as a result of software licenses that are leased under processing capacity or MIPS agreements and the leasing of less equipment in 2007 compared to the same periods in 2006.

Other operating expenses include, among other things, amortization of conversion costs, costs associated with delivering merchant acquiring services, professional advisory fees and court costs associated with TSYS' debt collection business.

Other operating expenses also include charges for processing errors, contractual commitments and bad debt expense. Management's evaluation of the adequacy of its transaction processing reserves and allowance for doubtful accounts is based on a formal analysis which assesses the probability of losses related to contractual contingencies, processing errors and uncollectible accounts. Increases and decreases in transaction processing provisions and charges for bad debt expense are reflected in other operating expenses.

Other operating expenses for the six and three months ended June 30, 2007 decreased \$19.3 million, or 15.3%, and \$7.7 million, or 12.1%, as compared to the same periods in 2006. The decline is primarily the result of decline in the terminal deployment expenses associated with the closing of the point of sale terminal distribution sales office at the beginning of 2006, and the recognition of attorney fees and court costs associated with debt collection services as reimbursable items beginning in May 2006. The impact of acquisitions on other operating expenses for the six and three months ended June 30, 2007 was \$6.7 million and \$3.7 million, respectively.

**Income Tax Expense**

For the three months ended June 30, 2007, consolidated income tax expense was \$96.7 million, compared to \$90.0 million for the second quarter of 2006. The effective tax rate for the six months ended June 30, 2007 and 2006 is shown in the following table:

	Six months ended June 30, 2007			Six months ended June 30, 2006		
<i>(dollars in thousands)</i>	Financial Services	TSYS	Synovus Consolidated	Financial Services	TSYS	Synovus Consolidated
Income before taxes (1)	\$ 328,527	194,408	498,470	310,801	164,175	454,071
Minority interest in subsidiaries' income			24,465			20,905
Income before income taxes and minority interest	328,527	194,408	522,935	310,801	164,175	474,976
Income tax expense (2)	\$ 118,472	70,496	188,968	110,657	56,112	166,769
Effective tax rate	36.06%	36.26%	36.14%	35.60%	34.18%	35.11%

- (1) Income before taxes for the six months ended June 30, 2007 includes \$321.6 million income from continuing operations and \$6.9 million income from discontinued operations for Financial Services, and includes \$491.6 million income from continuing operations and \$6.9 million income from discontinued operations for Synovus Consolidated.

- (2) Income tax expense for the six months ended June 30, 2007 includes \$115.8 million income tax expense for continuing operations and \$2.7 million income tax expense for discontinued operations for Financial Services, and includes \$186.3 million income tax expense for continuing operations and \$2.7 million income tax expense for discontinued operations for Synovus Consolidated.

Synovus files income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. Synovus U.S. Federal income tax return is filed on a consolidated basis. Most

## **Table of Contents**

state and foreign income tax returns are filed on a separate entity basis. Synovus is no longer subject to U.S. Federal income tax examinations by the IRS for years before 2004, and with few exceptions is no longer subject to income tax examinations from state or foreign authorities for years before 2001.

During the six months ended June 30, 2007, Synovus increased its liability for uncertain income tax positions by a net amount of \$3.1 million (net of the Federal tax benefit for the increase in state tax expense) in response to new information impacting the potential resolution of material uncertain tax positions, subsequent to the adoption of Financial Accounting Standards Board (FASB) interpretation No. 48, *Accounting for Income Taxes* an interpretation of FASB Statement 109 (FIN 48). Approximately \$1.8 million of the net increase in the liability for uncertain income tax positions related to Federal timing differences that were not recorded through the consolidated statements of income in the six months ended June 30, 2007.

During the three months ended March 31, 2006, Synovus received notices of proposed adjustments relating to taxes due for the years 2000 through 2003. As a result, Synovus recorded a reduction in previously recorded income tax liabilities of \$4.1 million, which lowered the consolidated effective tax rate by approximately 1.9%. This decrease included a decrease of approximately \$2.4 million for TSYS plus approximately \$1.7 million for Financial Services. The total liability for uncertain tax positions under FIN 48 at June 30, 2007 is \$20.9 million. See Note 8 to the consolidated financial statements (unaudited) for more information on income taxes. Synovus is not able to reasonably estimate the amount by which the liability will increase or decrease over time; however, at this time, Synovus does not expect a significant payment related to these obligations within the next year.

Synovus continually monitors and evaluates the potential impact of current events and circumstances on the estimates and assumptions used in the analysis of its income tax positions, and, accordingly, Synovus' effective tax rate may fluctuate in the future.

### **Legal Proceedings**

Synovus and its subsidiaries are subject to various legal proceedings and claims that arise in the ordinary course of its business. In the ordinary course of business, Synovus and its subsidiaries are also subject to regulatory examinations, information gathering requests, inquiries and investigations. Synovus establishes accruals for litigation and regulatory matters when those matters present loss contingencies that Synovus determines to be both probable and reasonably estimable. In the pending regulatory matter described below, loss contingencies are not reasonably estimable in the view of management, and, accordingly, a reserve has not been established for this matter. Based on current knowledge, advice of counsel and available insurance coverage, management does not believe that the eventual outcome of pending litigation and/or regulatory matters, including the pending regulatory matter described below, will have a material adverse effect on Synovus' consolidated financial condition, results of operations or cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to Synovus' results of operations for any particular period.

The FDIC is currently conducting an investigation of the policies, practices and procedures used by Columbus Bank and Trust Company (CB&T), a wholly owned banking subsidiary of Synovus, in connection with the credit card programs offered pursuant to its Affinity Agreement with CompuCredit Corporation (CompuCredit). CB&T issues credit cards that are marketed and serviced by CompuCredit pursuant to the Affinity Agreement. A provision of the Affinity Agreement generally requires CompuCredit to indemnify CB&T for losses incurred as a result of

**Table of Contents**

the failure of credit card programs offered pursuant to the Agreement to comply with applicable law. Synovus is subject to a per event 10% share of any such loss, but Synovus' 10% payment obligation is limited to a cumulative total of \$2 million for all losses incurred.

CB&T is cooperating with the FDIC's investigation. Synovus cannot predict the eventual outcome of the FDIC's investigation; however, the investigation has resulted in material changes to CB&T's policies, practices and procedures in connection with the credit card programs offered pursuant to the Affinity Agreement. It is probable that the investigation will result in further changes to CB&T's policies, practices and procedures in connection with the credit card programs offered pursuant to the Affinity Agreement and the imposition of one or more regulatory sanctions, including a civil money penalty and/or restitution of certain fees to affected cardholders. At this time, management of Synovus does not expect the ultimate resolution of the investigation to have a material adverse effect on its consolidated financial condition, results of operations or cash flows primarily due to the expected performance by CompuCredit of its indemnification obligations described in the paragraph above.

**Recently Issued Accounting Standards**

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement does not require any new fair value measurements, but applies under other accounting pronouncements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. The provisions of this statement are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Synovus is currently evaluating the impact of SFAS No. 157 on its financial position, results of operations or cash flows, but has yet to complete its assessment.

In September 2006, the EITF reached a consensus on EITF Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements (EITF 06-04). EITF 06-4 requires an employer to recognize a liability for future benefits based on the substantive agreement with the employee. EITF 06-4 requires a company to use the guidance prescribed in FASB Statement No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions and Accounting Principles Board Opinion No. 12,

Omnibus Opinion, when entering into an endorsement split-dollar life insurance agreement and recognizing the liability. EITF 06-4 is effective for fiscal periods beginning after December 15, 2007. Synovus is currently evaluating the impact of adopting EITF 06-4 on its financial position, results of operations and cash flows, but has yet to complete its assessment.

In November 2006, the EITF reached a consensus on EITF Issue No. 06-10, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements (EITF 06-10). Under EITF 06-10, an employer should recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement. The recognition of an asset should be based on the nature and substance of the collateral, as well as the terms of the arrangement such as (1) future cash flows to which the employer is entitled and (2) employee's obligation (and ability) to repay the employer. EITF 06-10 is effective for fiscal periods beginning after December 15, 2007. Synovus is currently evaluating the impact of adopting EITF 06-10 on its financial position, results of operations and cash flows, but has yet to complete its assessment.

**Table of Contents**

In November 2006, the EITF reached a consensus on EITF Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-based Payment Awards* (EITF 06-11). Employees may receive dividend payments (or the equivalent of) on vested and non-vested share-based payment awards. Under EITF 06-11, the Task Force concluded that a realized income tax benefit from dividends (or dividend equivalents) that are charged to retained earnings and are paid to employees for equity classified nonvested equity shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase in additional paid-in capital. Once the award is settled, the Company should determine whether the cumulative tax deduction exceeded the cumulative compensation cost recognized on the income statement. If the total tax benefit exceeds the tax effect of the cumulative compensation cost, the excess would be an increase to additional paid-in capital. EITF 06-11 is effective for fiscal periods beginning after September 15, 2007. Synovus is currently assessing the impact of the adoption of EITF 06-11 on the financial position, results of operations and cash flows, but does not expect that it will have a material affect on the financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits entities to make an irrevocable election, at specified election dates, to measure eligible financial instruments and certain other items at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The provisions of this statement are effective as of the beginning of the first fiscal year that begins after November 15, 2007. Synovus is currently evaluating the impact of adopting SFAS No. 159 on its financial position, results of operations and cash flows, but has yet to complete its assessment.

**Forward-Looking Statements**

Certain statements contained in this document which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act (the "Act"). These forward-looking statements include, among others, statements regarding: (i) the expected financial impact of recent accounting pronouncements; (ii) management's belief with respect to legal proceedings and other claims, including the pending regulatory matter with respect to credit card programs offered by CB&T pursuant to its agreement with CompuCredit; (iii) the potential distribution by Synovus of its ownership interest in TSYS and management's hope that it will be able to announce the Board's decision no later than Synovus' third quarter analyst call; (iv) management's expectation that the net interest margin for 2007 will be within the range of 4.05% - 4.10%; (v) management's belief that its interest rate risk positioning is appropriate in the current economic and yield curve environment; (vi) management's belief that the credits comprising the majority of the increase in non-performing assets are well secured with ample loan to value ratios which should limit the risk of loss on these credits; (vii) management's belief with respect to the existence of sufficient collateral for past due loans, the resolution of certain loan delinquencies and the inclusion of all material loans in which serious doubt exists as to collectibility in nonperforming loans and loans past due over 90 days and still accruing; (viii) Synovus' expected growth in diluted net income per share for 2007, and the assumptions underlying such statements, including with respect to Synovus' expected increase in diluted net income per share for 2007: mid to high single digit loan growth; a net interest margin in the 4.05% - 4.10% range; a net charge-off ratio of approximately 0.25%; and TSYS' net income growth within its range of guidance. With respect to a spin-off of TSYS, no assurances can be given regarding the timing or terms of any spin-off, or whether any spin-off will in fact occur. In addition, certain statements in future filings by Synovus with the Securities and Exchange Commission, in press releases, and in oral and written



**Table of Contents**

statements made by or with the approval of Synovus which are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure, efficiency ratios and other financial terms; (ii) statements of plans and objectives of Synovus or its management or Board of Directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as believes, anticipates, expects, intends, targeted, estimates, projects, plans, may, could, should, would, and are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These 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: (i) competitive pressures arising from aggressive competition from other financial service providers; (ii) factors that affect the delinquency rate of Synovus loans and the rate at which Synovus loans are charged off; (iii) changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which Synovus is perceived in such markets, including a reduction in our debt ratings; (iv) TSYS inability to achieve its earnings goals for 2007; (v) the strength of the U.S. economy in general and the strength of the local economies in which operations are conducted may be different than expected; (vi) the effects of and changes in trade, monetary and fiscal policies, and laws, including interest rate policies of the Federal Reserve Board; (vii) inflation, interest rate, market and monetary fluctuations; (viii) the timely development of and acceptance of new products and services and perceived overall value of these products and services by users; (ix) changes in consumer spending, borrowing, and saving habits; (x) technological changes are more difficult or expensive than anticipated; (xi) acquisitions are more difficult to integrate than anticipated; (xii) the ability to increase market share and control expenses; (xiii) the effect of changes in governmental policy, laws and regulations, or the interpretation or application thereof, including restrictions, limitations and/or penalties arising from banking, securities and insurance laws, regulations and examinations; (xiv) the impact of the application of and/or the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, the Financial Accounting Standards Board, or other authoritative bodies; (xv) changes in Synovus organization, compensation, and benefit plans; (xvi) the costs and effects of litigation, investigations or similar matters, or adverse facts and developments related thereto including the FDIC's investigation of the policies, practices and procedures used by CB&T in connection with the credit card programs offered pursuant to its Affinity Agreement with CompuCredit; (xvii) a deterioration in credit quality or a reduced demand for credit; (xviii) Synovus inability to successfully manage any impact from slowing economic conditions or consumer spending; (xix) TSYS does not maintain the card-processing functions of Capital One for at least five years as expected; (xx) the merger of TSYS clients with entities that are not TSYS clients or the sale of portfolios by TSYS clients to entities that are not TSYS clients; (xxi) successfully managing the potential both for patent protection and patent liability in the context of rapidly developing legal framework for expansive software patent protection; (xxii) the impact on Synovus business, as well as on the risks set forth above, of various domestic or international military or terrorist activities or conflicts; and (xxiii) the success of Synovus at managing the risks involved in the foregoing.

**Table of Contents**

These forward-looking statements speak only as of the date on which the statements are made, and Synovus undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made to reflect the occurrence of unanticipated events.

Table of Contents

**ITEM 3 QUANTITATIVE AND  
QUALITATIVE DISCLOSURES ABOUT  
MARKET RISK**

During the first six months of 2007, Synovus has moved to a more neutral interest rate risk position. Synovus believes that this interest rate risk positioning is appropriate in the current economic and yield curve environment. Synovus has been gradually reducing its asset sensitive positioning as Federal Reserve interest rate policy has reached a level considered neutral by most market participants.

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 forecasts are included in the periods modeled.

Synovus models its baseline net interest income forecast assuming an unchanged or flat interest rate environment. Synovus has modeled the impact of a gradual increase and decrease in short-term rates of 100 basis points to determine the sensitivity of net interest income for the next twelve months. The following table represents the estimated sensitivity of net interest income to these gradual changes in short term interest rates at June 30, 2007, with comparable information for December 31, 2006.

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)	
	June 30, 2007	December 31, 2006
+ 100	(0.1%)	0.3%
- 100	(0.5%)	(1.0%)

While these 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. Synovus also considers the interest rate sensitivity of non-interest income in determining the appropriate net interest income sensitivity positioning.

Synovus' electronic payment processing subsidiary, TSYS, is subject to market risk due to its international operations. TSYS is exposed to foreign exchange risk because it has assets, liabilities, revenues and expenses denominated in foreign currencies. Net exchange gains or losses resulting from the translation of assets and liabilities of TSYS' foreign operations, net of tax, are accumulated in a separate section of shareholders' equity titled accumulated other comprehensive loss. The amount of other comprehensive loss related to foreign currency translation for the six months ended June 30, 2007 and 2006 was \$2.1 million and \$3.8 million, respectively.

TSYS also records foreign currency translation adjustments associated with other balance sheet

**Table of Contents**

accounts, primarily cash accounts denominated in foreign currencies and intercompany loans that require each operation to repay the financing in U.S. dollars. TSYS recorded a net translation loss of approximately \$162 thousand and a net translation loss of approximately \$845 thousand for the six and three months ended June 30, 2007, respectively, related to the translation of these accounts and arrangements.

A summary of the account balances subject to foreign currency exchange rates between the local currencies and the U.S. dollar is as follows:

<i>(in thousands)</i>		<b>Balance at June 30, 2007</b>
Asset	Cash	\$ 54,200
Liability	Intercompany financing arrangements	(64,300)
	Net account balances	\$ (10,100)

The following table presents the potential effect on income from continuing operations before income taxes of hypothetical shifts in the foreign currency exchange rate between the local currencies and the U.S. dollar of plus or minus 100 basis points, 500 basis points, and 1,000 basis points based on the net liability account balance of \$10.1 million at June 30, 2007.

<i>(in thousands)</i>	Effect of Basis Point Change					
	Increase in basis points of			Decrease in basis points of		
	100	500	1,000	100	500	1,000
Effect on income from continuing operations before income taxes	\$ (81)	(405)	(810)	81	405	810
		45				

**Table of Contents**

**ITEM 4 CONTROLS AND PROCEDURES**

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report as required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended. This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on this evaluation, these officers have concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to Synovus (including its consolidated subsidiaries) required to be included in our periodic SEC filings. No change in Synovus' internal control over financial reporting occurred during the period covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

46

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**Table of Contents****PART II OTHER INFORMATION****ITEM 1A RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our financial position, results of operations or cash flows. The risks described in our Annual Report on 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 financial position, results of operations or cash flows.

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

Synovus acquired GLOBALT, Inc. (GLOBALT) on May 31, 2002. The purchase agreement contained an earn-out provision pursuant to which Synovus may issue additional shares of Synovus common stock contingent upon GLOBALT's financial performance. On February 15, 2007, Synovus issued 62,119 shares of Synovus common stock to the former shareholders of GLOBALT as a result of GLOBALT attaining its financial performance goals. The shares of stock issued to the former shareholders of GLOBALT were issued pursuant to the exemption from registration set forth in Section 4(2) of the Securities Act of 1933.

The following table sets forth information regarding Synovus' purchases of its common stock on a monthly basis during the three months ended June 30, 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
April 2007	(1)	\$		
May 2007	(1)			
June 2007	(1)			
Total	(1)	\$		

(1) There were no deliveries of previously owned shares to Synovus in payment of the exercise price of stock options during the three months ended June 30, 2007.

**Table of Contents****ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The annual shareholders meeting was held on April 25, 2007. Following is a summary of the proposals that were submitted to the shareholders for approval and a tabulation of the votes with respect to each proposal.

**Proposal I**

The proposal was to elect eighteen directors of Synovus to serve until the 2008 Annual Meeting of Shareholders.

<b>Nominee</b>	<b>Votes For</b>	<b>Withheld Authority to Vote</b>
Daniel P. Amos	2,581,907,746	73,238,931
Richard E. Anthony	2,569,891,550	85,255,127
James H. Blanchard	2,419,722,132	235,424,545
Richard Y. Bradley	2,435,353,721	219,792,956
Frank W. Brumley	2,582,174,041	72,972,636
Elizabeth W. Camp	2,583,653,652	71,493,025
Gardiner W. Garrard, Jr.	2,569,035,860	86,110,817
T. Michael Goodrich	2,582,955,475	72,191,202
Frederick L. Green, III	2,570,091,483	85,055,194
V. Nathaniel Hansford	2,570,358,705	84,787,972
Alfred W. Jones, III	2,569,733,288	85,413,389
Mason H. Lampton	2,570,536,235	84,610,442
Elizabeth C. Ogie	2,570,799,919	84,346,758
H. Lynn Page	2,569,790,742	85,355,935
J. Neal Purcell	2,581,007,393	74,139,284
Melvin T. Stith	2,583,539,421	71,607,256
William B. Turner, Jr.	2,531,239,093	123,907,584
James D. Yancey	2,570,241,592	84,905,085

**Proposal II**

The proposal was to approve the Synovus Financial Corp. 2007 Omnibus Plan.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Broker Non-votes</b>
Votes	1,810,360,416	165,787,753	23,656,367	655,342,151

**Proposal III**

The proposal was to ratify the appointment of KPMG LLP as the independent auditor to audit the consolidated financial statements of Synovus and its subsidiaries for the fiscal year ended December 31, 2007.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Votes	2,600,177,581	37,018,224	17,950,871

**Table of Contents**

**Proposal IV**

The proposal was to approve a shareholder proposal that director nominees be elected to the Board of Directors by a majority of votes cast at an annual meeting of shareholders.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Broker Non-votes</b>
Votes	698,065,533	1,264,670,215	37,068,747	655,342,192



**Table of Contents**

**ITEM 6 EXHIBITS**

(a) Exhibits	Description
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Periodic Report
	50

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**Table of Contents**

**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.

Date: August 9, 2007

BY: /s/ Thomas J. Prescott

Thomas J. Prescott  
Executive Vice President and Chief  
Financial Officer

51

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**Table of Contents**

**INDEX TO EXHIBITS**

Exhibit Number	Description
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Periodic Report

52