iShares Silver Trust
Form 10-Q
August 07, 2015
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, 2015

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ________ to ________

Commission file number: 001-32863

iShares® Silver Trust

(Exact name of registrant as specified in its charter)

New York	**13-7474456**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

c/o iShares® Delaware Trust Sponsor LLC

400 Howard Street

San Francisco, California 94105

Attn: Product Management Team

iShares® Product Research & Development

(Address of principal executive offices)

(415) 670-2000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer Accelerated filer

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

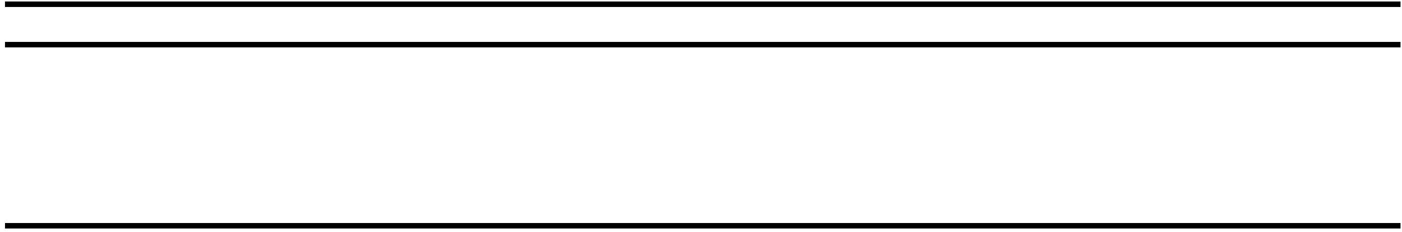

Table Of Contents

Table of Contents

		Page
PART I – FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	1
	Statements of Assets and Liabilities at June 30, 2015 and December 31, 2014	1
	Statements of Operations for the three and six months ended June 30, 2015 and 2014	2
	Statements of Changes in Net Assets for the six months ended June 30, 2015 and the year ended December 31, 2014	3
	Statements of Cash Flows for the six months ended June 30, 2015 and 2014	4
	Schedule of Investments at June 30, 2015 and December 31, 2014	5
	Notes to Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	11
Item 4.	Controls and Procedures	11
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	12
Item 1A.	Risk Factors	12
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	12
Item 3.	Defaults Upon Senior Securities	12
Item 4.	Mine Safety Disclosures	12
Item 5.	Other Information	12
Item 6.	Exhibits	13
SIGNATURES		14

Table Of Contents

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

iShares® Silver Trust

Statements of Assets and Liabilities(a) **(Unaudited)**

At June 30, 2015 and December 31, 2014

(Dollar amounts in $000's, except for per Share amounts)	June 30, 2015	December 31, 2014
Assets		
Investment in silver bullion(b)	$5,107,880	$5,263,140
Total Assets	5,107,880	5,263,140
Liabilities		
Sponsor's fees payable	2,148	2,338
Total Liabilities	2,148	2,338
Commitments and contingent liabilities (Note 6)	—	—
Net Assets	$5,105,732	$5,260,802
Shares issued and outstanding(c)	340,450,000	344,000,000
Net asset value per Share (Note 2D)	$15.00	$15.29

(a) Previously reported as "Balance Sheets." Please refer to Note 2A.

(b) Cost of investment in silver bullion: $6,217,768 and $6,386,750, respectively.

(c) No par value, unlimited amount authorized.

See notes to financial statements.

Table Of Contents

iShares® Silver Trust

Statements of Operations(a) **(Unaudited)**

For the three and six months ended June 30, 2015 and 2014

(Dollar amounts in $000's, except for per Share amounts)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Expenses				
Sponsor's fees	$6,619	$8,072	$13,275	$16,244
Total expenses	6,619	8,072	13,275	16,244
Net investment loss	(6,619)	(8,072)	(13,275)	(16,244)
Net Realized and Unrealized Gain (Loss)				
Net realized gain (loss) from:				
Investment in silver bullion sold to pay expenses	(1,143)	(147)	(2,312)	108
Silver bullion distributed for the redemption of Shares	(43,727)	5,554	(85,768)	15,304
Net realized gain (loss)	(44,870)	5,407	(88,080)	15,412
Net change in unrealized appreciation/depreciation	(242,511)	291,600	13,722	427,662
Net realized and unrealized gain (loss)	(287,381)	297,007	(74,358)	443,074
Net increase (decrease) in net assets resulting from operations	$(294,000)	$288,935	$(87,633)	$426,830
Net increase (decrease) in net assets per Share	$(0.87)	$0.84	$(0.26)	$1.25
Weighted-average Shares outstanding	338,502,198	343,413,187	338,660,221	340,254,696

(a) Previously reported as "Income Statements." Please refer to Note 2A.

See notes to financial statements.

Table Of Contents

iShares® Silver Trust

Statements of Changes in Net Assets(a) **(Unaudited)**

For the six months ended June 30, 2015 and the year ended December 31, 2014

(Dollar amounts in $000's)	**Six Months Ended June 30, 2015**	**Year Ended**		
	71	III	1997	Senior Vice President and Financial Consultant, Retired, The Robinson-Humphrey Company, Inc. (Stockbroker); Director, Total System Services, Inc.
Alfred W. Jones III	48	I	2001	Chairman of the Board and Chief Executive Officer, Sea Island Company (Real Estate Development and Management); Director, Total System Services, Inc.
Mason H. Lampton(6)	58	II	1993	Chairman of the Board, Standard Concrete Products (Construction Materials Company); Director, Total System Services, Inc.
Elizabeth C. Ogie(7)	55	II	1993	Private Investor
H. Lynn Page	65	I	1978	Director, Total System Services, Inc.
J. Neal Purcell	64	III	2003	Vice Chairman, Retired, KPMG LLP (Professional Services Provider); Director, Southern Company, Kaiser Permanente and Dollar General Corporation
Melvin T. Stith(8)	59	II	1998	Dean, Martin J. Whitman School of Management, Syracuse University; Director,

				Flowers Foods, Inc.
William B. Turner, Jr.(7)	54	III	2003	Vice Chairman of the Board and President, W.C. Bradley Co. (Metal Manufacturer and Real Estate)

11

Table of Contents

Name	Age	Synovus Director Classification	Year First Elected Director	Principal Occupation and Other Information
James D. Yancey(9)	64	I	1978	Chairman of the Board, Columbus Bank and Trust Company; Chairman of the Board, Retired, Synovus Financial Corp.; Director, Total System Services, Inc.

(1) Daniel P. Amos previously served as a director of Synovus from 1991 until 1998, when he resigned as a director as required by federal banking regulations to join the board of a company affiliated with a Japanese bank.

(2) Richard E. Anthony was elected President and Chief Executive Officer of Synovus in July 2005. From 1995 until 2005, Mr. Anthony served in various capacities with Synovus, including President and Chief Operating Officer of Synovus.

(3) James H. Blanchard was elected Chairman of the Board of Synovus in July 2005. From 1970 until 2005, Mr. Blanchard served in various capacities with Synovus, CB&T and/or TSYS, including Chief Executive Officer of Synovus.

(4) Frank W. Brumley was elected Chairman of the Board and Chief Executive Officer of Daniel Island Company in January 2006. Prior to 2006, Mr. Brumley served as President of Daniel Island Company.

(5) V. Nathaniel Hansford serves as Lead Director of the Synovus Board.

(6) Mason H. Lampton was elected Chairman of the Board of Standard Concrete Products in June 2005. Prior to 2005, Mr. Lampton served as President and Chief Executive Officer of Standard Concrete Products.

(7) Elizabeth C. Ogie is William B. Turner, Jr. s first cousin.

(8) Melvin T. Stith was appointed Dean of Syracuse University s Martin J. Whitman School of Management in January 2005. Prior to 2005, Mr. Stith served as Dean of the College of Business at Florida State University.

(9) James D. Yancey retired as an executive employee of Synovus in December 2004 and served as a non-executive Chairman of the Board until July 2005. Mr. Yancey was elected Chairman of the Board of Synovus in October 2003. Prior to 2003, Mr. Yancey served in various capacities with Synovus and/or CB&T, including Vice Chairman of the Board and President of both Synovus and CB&T.

Table of Contents

PROPOSAL 2: AMENDMENT TO SYNOVUS ARTICLES OF INCORPORATION AND BYLAWS TO DECLASSIFY THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR DECLASSIFICATION OF THE BOARD OF DIRECTORS AND THE RELATED AMENDMENTS TO THE ARTICLES OF INCORPORATION AND BYLAWS.

Article 10 of Synovus Articles of Incorporation and Section 2 of Article III of Synovus bylaws provide for the classification of the Board of Directors into three classes, with each class being elected every three years and with each class being as nearly equal in number as possible. The Articles of Incorporation and bylaws also contain provisions relating to the classification of the Board concerning the filling of director vacancies. The Board of Directors has determined that the Articles of Incorporation and bylaws should be amended to repeal these provisions of Article 10 and Section 2 of Article III of the Articles of Incorporation and bylaws, respectively, and to make certain conforming changes as appropriate, and has unanimously adopted a resolution approving the amendments, declaring their advisability and recommending the amendments to our shareholders.

The proposed amendment would amend and restate Article 10 of Synovus Articles of Incorporation as follows:

10.

Each member of the Board of Directors of the corporation shall be elected at the annual meeting of shareholders and shall hold office for a term of one year and until his or her successor is duly elected and qualified or until his or her earlier retirement, resignation, removal or death.

The proposed amendment would amend and restate Section 2 and Section 10 of Article III of Synovus bylaws as follows:

ARTICLE III. DIRECTORS

Section 2. *Election and Tenure.* Each member of the Board of Directors of the corporation shall be elected at the annual meeting of shareholders and shall hold office for a term of one year and until his or her successor is duly elected and qualified or until his or her earlier retirement, resignation, removal or death. In such elections, the nominees receiving a plurality of votes shall be elected.

Section 10. *Vacancies.* Any vacancy occurring in the Board of Directors caused by the removal of a Director shall be filled by the shareholders, or if authorized by the shareholders, by the Board of Directors. Any other vacancy occurring in the Board of Directors, including vacancies occurring by reason of an increase in the number of directors comprising the Board, may be filled by the Board of Directors or the shareholders until the next annual meeting of shareholders and until a successor is duly elected and qualified. Vacancies in the Board of Directors filled by the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum, or the sole remaining Director, as the case may be.

If the proposed amendments are approved by the shareholders of Synovus, the classified Board will be eliminated, the current term of office of each director will end at the 2007 Annual Meeting and directors will thereafter be elected for one-year terms at each Annual Meeting of Shareholders. Furthermore, any director chosen to fill a vacancy on the Board of Directors will hold office until the next Annual Meeting of Shareholders.

Classified or staggered boards have been widely adopted and have a long history in corporate law. Proponents of classified boards assert that they promote the independence of directors because directors elected for multi-year terms are less subject to outside influence. Proponents of classified

boards also believe it provides continuity and stability in the management of the business and affairs of a company because a majority of directors always have prior experience as directors of the company and familiarity with the business of the company. Furthermore, proponents argue that staggered boards may enhance shareholder value by forcing an entity seeking control of a target company to initiate arms-length discussions with the board of a target company because the entity is unable to replace the entire board in a single election.

On the other hand, some investors view classified boards as reducing the accountability of directors to shareholders by making it more difficult for shareholders to change a majority of directors even where a majority of shareholders are dissatisfied with the performance of incumbent directors. Many institutional investors believe that the election of directors is the primary means for shareholders to influence corporate governance policies and to hold management accountable for implementing these policies. In addition, opponents of classified boards assert that a staggered structure for the election of directors may discourage proxy contests in which shareholders have an opportunity to vote for a competing slate of nominees and therefore may erode shareholder value. In light of these views, a number of major corporations have determined that the evolving principles of corporate governance dictate that all directors of a corporation should be elected annually.

The Board of Directors carefully considered the arguments for and against continuation of the classified Board and determined that the classified Board should be eliminated. The Board believes that all directors should be equally accountable at all times for Synovus performance. Moreover, this determination by the Board furthers its goal of ensuring that Synovus corporate governance policies maximize management accountability to shareholders and would, if adopted, allow shareholders the opportunity each year to register their views on the performance of the Board of Directors. Because there is no limit to the number of terms an individual may serve, the continuity and stability of the Board s membership and our policies and long-term strategic planning should not be affected.

If approved, the proposed amendment to the Articles of Incorporation will become effective upon the filing of Articles of Amendment to the Articles of Incorporation with the Secretary of State of the State of Georgia, which Synovus would do promptly after the Annual Meeting. The proposed amendment to the bylaws will become effective upon adoption by the shareholders at the Annual Meeting. If the proposal is not approved by the shareholders, then the Board of Directors will remain classified, and the directors will continue to be elected to three-year terms.

PROPOSAL 3: APPROVAL OF THE SYNOVUS FINANCIAL CORP. EXECUTIVE CASH BONUS PLAN

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE SYNOVUS FINANCIAL CORP. EXECUTIVE CASH BONUS PLAN.

Synovus executive compensation program will include short-term incentive bonus awards under the Synovus Financial Corp. Executive Cash Bonus Plan (the Plan). The purposes of the Plan are to reward selected executive officers for superior corporate performance and to attract and retain top quality executive officers. Subject to approval by Synovus shareholders, compensation paid pursuant to the Plan is intended, to the extent reasonable, to qualify for tax deductibility under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, as may be amended from time to time (Section 162(m)). The Plan is being submitted to shareholders for approval as required by Section 162(m).

Eligibility and Participation. The Chief Executive Officer and the four highest compensated officers of Synovus and any publicly-traded subsidiary of Synovus are eligible to participate in the Plan. Approximately 10 employees are eligible to participate in the Plan. The

Table of Contents

Compensation Committee, as described below, has discretion to select participants from among eligible employees from year to year.

Description of Awards Under the Plan. Pursuant to the Plan, Synovus may award incentive bonus opportunities to participants. Each fiscal year, the Compensation Committee establishes, in writing, the performance goals applicable to the current and/or any succeeding fiscal year. The performance measures which are used to determine the amount of the incentive bonus award for each performance period are chosen from among the following for Synovus, any of its business segments and/or any of its business units, unless and until the Compensation Committee proposes a change in the measures for shareholder vote or applicable tax and/or other regulatory laws change to permit the Compensation Committee discretion to alter the performance measures without obtaining shareholder approval: (i) return on assets; (ii) net income; (iii) operating income; (iv) nonperforming assets and/or loans as a percentage of total assets and/or loans; (v) return on capital compared to cost of capital; (vi) earnings per share and/or earnings per share growth; (vii) return on equity; (viii) noninterest expense as a percentage of total expense; (ix) loan charge-offs as a percentage of total loans; (x) productivity and expense control; (xi) number of cardholder, merchant and/or other customer accounts processed and/or converted by TSYS; (xii) successful negotiation or renewal of contracts with new and/or existing customers by TSYS; (xiii) stock price; and (xiv) asset growth. Awards are determined based on the achievement of the preestablished performance goals and are awarded based on a percentage of a participant s base salary.

The Compensation Committee has no discretion to increase the amount of any award under the Plan but will retain the ability to eliminate or decrease an award otherwise payable to a participant. The Compensation Committee must certify, in writing, that the performance goals have been met before any payments to participants may be made. Payment of the incentive bonus award earned, if any, is made in cash, as soon as practicable after Compensation Committee approval or deferred pursuant to the provisions of the Synovus/ TSYS Deferred Compensation Plan.

Termination of Employment. Any participant not employed by Synovus or a publicly-traded subsidiary of Synovus on December 31 of any fiscal year will not be entitled to an award unless otherwise determined by the Compensation Committee.

Maximum Amount Payable to Any Participant. The maximum amount payable for each performance period under the Plan to any participant is $2 million.

Amendment of the Plan. The Board of Directors may amend the Plan at any time including amendments that increase the costs of the Plan and allocate benefits between persons and groups in the table below differently; provided, however, that no amendment can be made without shareholder approval that increases the maximum amount payable to any participant in excess of the limit set forth above.

Duration of the Plan. The Plan will remain in effect from the date it is approved by Synovus shareholders until the date it is terminated by the Board of Directors. The Board of Directors may terminate the Plan at any time.

Administration. The Plan will be administered by the Compensation Committee of the Board of Directors or, in the case of a publicly-traded subsidiary of Synovus, by the Compensation Committee of the publicly traded subsidiary. The Committee will be comprised of two or more outside directors within the meaning of Section 162(m).

Estimate of Benefits. For the fiscal year 2005, only Messrs. Blanchard and Anthony would have been selected to participate in the Plan, while Messrs. Griffith and Green and Ms. James would have been selected to participate in the Synovus Incentive Bonus Plan. Because the amounts that will be paid pursuant to the Plan are not currently determinable, the following chart sets forth the amounts that would have been awarded for fiscal year 2005 if the Chief Executive Officer and the four other highest compensated officers of Synovus participated in the Plan.

Table of Contents

NEW PLAN BENEFITS
SYNOVUS FINANCIAL CORP.
EXECUTIVE CASH BONUS PLAN

Name and Position	Dollar Value ($)
Richard E. Anthony President and Chief Executive Officer	$ 964,575
James H. Blanchard Chairman of the Board	1,114,800
G. Sanders Griffith, III Senior Executive Vice President, General Counsel and Secretary	417,375
Frederick L. Green, III Vice Chairman	376,950
Elizabeth R. James Vice Chairman and Chief People Officer	371,700
Executive Group	3,245,400
Non-Executive Director Group	-0-
Non-Executive Officer Employee Group	-0-

16

Table of Contents

PROPOSAL 4: RATIFICATION OF APPOINTMENT OF THE INDEPENDENT AUDITOR

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE INDEPENDENT AUDITOR.

The Audit Committee has appointed the firm of KPMG LLP as the independent auditor to audit the consolidated financial statements of Synovus and its subsidiaries for the fiscal year ending December 31, 2006. Representatives of KPMG will be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from shareholders present at the meeting. Although shareholder ratification of the appointment of Synovus independent auditor is not required by our bylaws or otherwise, we are submitting the selection of KPMG to our shareholders for ratification to permit shareholders to participate in this important corporate decision. If not ratified, the Audit Committee will reconsider the selection, although the Audit Committee will not be required to select a different independent auditor for Synovus.

17

Table of Contents

PROPOSAL 5: SHAREHOLDER PROPOSAL REGARDING DIRECTOR ELECTION BY MAJORITY VOTE

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST THE SHAREHOLDER S PROPOSAL.

The United Brotherhood of Carpenters Pension Fund (Fund), which is the beneficial owner of approximately 5,000 shares of Synovus stock, has made a timely request that the following proposal, which the Fund intends to present for consideration at the 2006 Annual Meeting, be included in this Proxy Statement. The Fund has advised Synovus that a representative of the Fund intends to be present at the Annual Meeting to present this proposal for consideration. The proposal and related supporting statement are set forth below exactly as received by Synovus. The Fund s request was submitted by Douglas J. McCarron, Fund Chairman, 101 Constitution Avenue, N.W., Washington, D.C. 20001.

Shareholder Resolution:

Resolved: That the shareholders of Synovus Financial Corp. (Company) hereby request that the Board of Directors initiate the appropriate process to amend the Company s articles of incorporation to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

Shareholder Supporting Statement:

Our Company is incorporated in Georgia. Among other issues, Georgia corporate law addresses the issue of the level of voting support necessary for a specific action, such as the election of corporate directors. Georgia law provides that unless a company s articles of incorporation provide otherwise, a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director. (Georgia Business Corporation Code, 14-2-728.a.)

Our Company presently uses the plurality vote standard to elect directors. This proposal requests that the Board initiate a change in the Company s director election vote standard to provide that nominees for the board of directors must receive a majority of the vote cast in order to be elected or re-elected to the Board.

We believe that a majority vote standard in director elections would give shareholders a meaningful role in the director election process. Under the Company s current standard, a nominee in a director election can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are withheld from that nominee. The majority vote standard would require that a director receive a majority of the vote cast in order to be elected to the Board.

The majority vote proposal received high levels of support last year, winning majority support at Advanced Micro Devices, Freeport McMoRan, Marathon Oil, Marsh and McClennan, Office Depot, Raytheon, and others. Leading proxy advisory firms recommended voting in favor of the proposal.

Some companies have adopted board governance policies requiring director nominees that fail to receive majority support from shareholders to tender their resignations to the board. We believe that these policies are inadequate for they are based on continued use of the plurality standard and would allow director nominees to be elected despite only minimal shareholder support. We contend that changing the legal standard to a majority vote is a superior solution that merits shareholder support.

Our proposal is not intended to limit the judgment of the Board in crafting the requested governance change. For instance, the Board should address the status of incumbent director nominees who fail to receive a majority vote under a majority vote standard and whether a plurality vote standard may be appropriate in director elections when the number of director nominees exceeds the available board seats.

We urge your support for this important director election reform.

Table of Contents

Board of Directors Statement in Opposition:

Synovus believes that adherence to sound corporate governance policies and practices is important to ensuring that Synovus is governed and managed with the highest standards of responsibility, ethics and integrity and in the best interests of its shareholders. Synovus currently elects its directors by a plurality standard, meaning that the nominees who receive the most affirmative votes are elected to the Board. This method of voting, which is permissible under Georgia law and is the predominant method currently in use among U.S. public companies, has served Synovus well for many years. In fact, in no instance can it be found that plurality voting prevented Synovus shareholders from either electing the directors they wanted to elect or otherwise expressing their dissatisfaction with any particular director or the Board as a whole.

Synovus believes it would not be in the best interests of its shareholders to change the method by which directors are elected for the following reasons:

The Fund s proposal is unnecessary to achieve sound corporate governance at Synovus. Synovus has demonstrated its commitment to implementing best corporate governance practices and its openness to shareholder input regarding potential directors and governance. For example, in the area of director elections, the Board recently amended Synovus Corporate Governance Guidelines to provide that in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election must promptly tender his or her resignation. This new guideline further provides for a process by which such director s resignation is either accepted or rejected by the Corporate Governance and Nominating Committee and the Board. (See Appendix B of this Proxy Statement for this addition to the Corporate Governance Guidelines.) The Board also recently voted to recommend that the shareholders approve an amendment to Synovus Articles of Incorporation and bylaws to declassify the Board so that each director will be subject to shareholder approval on an annual basis. (See Proposal 2 of this Proxy Statement for Synovus proposal regarding the declassification of the Board.)

Furthermore, Synovus maintains a director nomination and election process that is designed to give due regard to shareholder nominees. The Corporate Governance and Nominating Committee has a process for consideration of shareholder nominees, and the Board maintains a process for shareholders to communicate with the Board. The Board believes that these mechanisms, not the process requested by the Fund s proposal, provide the best foundation for a strong and effective Board and excellence in corporate governance.

Given the current state of applicable corporate law and practice, the Fund s proposal for majority voting for directors may have unintended negative consequences. The Board believes that while conceptually the Fund s proposal seems simple, implementation of the proposal would establish a potentially disruptive vote requirement that the Board does not believe is reasonable or in the best interests of Synovus shareholders. For example, the Fund s proposal does not address what would happen if one or more incumbent directors fail to receive a majority of the votes cast. Georgia law provides that despite the expiration of a director s term, such director continues to serve until a successor is elected and qualified or until there is a decrease in the number of directors. Therefore, under the Fund s proposal, an incumbent director who does not receive a majority of the votes cast would nonetheless remain in office until such person s successor was elected and qualified, absent resignation or removal from the Board. We believe that this situation would not reflect the views of shareholders who have chosen to exercise their right to vote for the directors of their choice at the annual meeting.

In addition, the plurality voting standard is the methodology known to and understood by shareholders and used by corporations that have been identified as leaders in corporate governance reforms. Majority voting, on the other hand, is an uncertain, untested voting standard. It is possible that the unpredictability described above could deter the most qualified individuals from agreeing to serve as director candidates, whether nominated by the Board or a shareholder.

Table of Contents

A further consequence of the Fund s proposal may be to unnecessarily increase the cost of soliciting shareholder votes. If the Fund s proposal is approved, the Board may need to employ proactive telephone solicitations, subsequent mailings or other vote-procuring strategies to obtain shareholder approval in future elections. The Board believes this would not be a good expenditure of Synovus funds in connection with director elections.

The Board believes that Synovus existing voting standard is fair, democratic and impartial and serves the best interests of its shareholders. Synovus history of electing, by a plurality, strong and independent boards is demonstrated in the fact that in the past ten years, the average affirmative vote for the directors has been greater than 98.7 percent of the votes cast. The outcome of Synovus election process would not have been different if the proposed majority voting standard had been used. Furthermore, the Board believes that the quality of its directors has a far greater impact on Synovus governance than the voting standard used to elect them.

EXECUTIVE OFFICERS

The following table sets forth the name, age and position with Synovus of each executive officer of Synovus.

Name	Age	Position with Synovus
Richard E. Anthony(1)	59	President and Chief Executive Officer
James H. Blanchard(1)	64	Chairman of the Board
Frederick L. Green, III(2)	47	Vice Chairman
Elizabeth R. James(3)	44	Vice Chairman and Chief People Officer
G. Sanders Griffith, III(4)	52	Senior Executive Vice President, General Counsel and Secretary
Thomas J. Prescott(5)	51	Executive Vice President and Chief Financial Officer
Mark G. Holladay(6)	50	Executive Vice President and Chief Credit Officer
Andrew R. Klepchick(7)	43	Executive Vice President
Calvin Smyre(8)	58	Executive Vice President, Corporate Affairs

(1) As Messrs. Blanchard and Anthony are directors of Synovus, relevant information pertaining to their positions with Synovus is set forth under the caption Members of the Board of Directors on page 10.

(2) Frederick L. Green, III was elected Vice Chairman of Synovus in December 2003. From 1991 until 2003, Mr. Green served in various capacities with The National Bank of South Carolina, a banking subsidiary of Synovus, including President of The National Bank of South Carolina. Mr. Green continues to serve as Chairman of the Board of The National Bank of South Carolina.

(3) Elizabeth R. James was elected Vice Chairman of Synovus in May 2000. From 1986 until 2000, Ms. James served in various capacities with Synovus, CB&T and/or TSYS, including Chief Information Officer and Chief People Officer of Synovus.

(4) G. Sanders Griffith, III was elected Senior Executive Vice President, General Counsel and Secretary of Synovus in October 1995. From 1988 until 1995, Mr. Griffith served in various capacities with Synovus, including Executive Vice President, General Counsel and Secretary.

(5) Thomas J. Prescott was elected Executive Vice President and Chief Financial Officer of Synovus in December 1996. From 1987 until 1996, Mr. Prescott served in various capacities with Synovus, including Executive Vice President and Treasurer.

(6) Mark G. Holladay was elected Executive Vice President and Chief Credit Officer of Synovus in April 2000. From 1974 until 2000, Mr. Holladay served in various capacities with CB&T, including Executive Vice President.

Table of Contents

(7) Andrew R. Klepchick was elected Executive Vice President of Synovus in August 2005. From 1988 until 2005, Mr. Klepchick served in various positions with Creative Financial Group, Ltd., a financial planning subsidiary of Synovus, including Executive Vice President of Creative Financial Group, Ltd.

(8) Calvin Smyre was elected Executive Vice President of Synovus in November 1996. From 1976 until 1996, Mr. Smyre served in various capacities with CB&T and/or Synovus, including Senior Vice President of Synovus.

Table of Contents

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth ownership of shares of Synovus stock by each director, each executive officer named in the Summary Compensation Table on page 26 and all directors and executive officers as a group as of December 31, 2005.

Name	Shares of Synovus Stock Beneficially Owned with Sole Voting And Investment Power as of 12/31/05	Shares of Synovus Stock Beneficially Owned with Shared Voting And Investment Power as of 12/31/05	Shares of Synovus Stock Beneficially Owned with Sole Voting but no Investment Power as of 12/31/05	Total Shares of Synovus Stock Beneficially Owned as of 12/31/05(1)	Percentage of Outstanding Shares of Synovus Stock Beneficially Owned as of 12/31/05
Daniel P. Amos	51,122	417,274	500	468,896	*
Richard E. Anthony	584,394	189,774	64,238	1,143,689	*
James H. Blanchard	1,336,597	203,815	49,687	2,904,517	1
Richard Y. Bradley	23,124	84,887	500	108,511	*
Frank W. Brumley	25,609		500	26,109	*
Elizabeth W. Camp	22,901	2,703	500	26,104	*
C. Edward Floyd	846,471	269,365	500	1,116,336	*
Gardiner W. Garrard, Jr.	204,147	793,682	500	998,329	*
T. Michael Goodrich	186,284	35,898(2)	500	222,682	*
Frederick L. Green, III	104,939	415	30,784	277,452	*
G. Sanders Griffith, III	200,770	3,424	71,879	485,261	*
V. Nathaniel Hansford	124,749	424,239	500	549,488	*
John P. Illges, III	281,204	441,429	500	723,133	*
Elizabeth R. James	32,997		4,754	148,646	*
Alfred W. Jones III	10,079		500	10,579	*
Mason H. Lampton	97,020	178,981(3)	500	276,501	*
Elizabeth C. Ogie	477,263	3,001,567(4)	500	3,479,330	1
H. Lynn Page	721,418	11,515	500	733,433	*
J. Neal Purcell	10,309		500	10,809	*
Melvin T. Stith	8,205	117	500	8,822	*
William B. Turner, Jr.	418,244	2,867,526(4)	500	3,286,270	1
James D. Yancey	1,110,591	88,532	500	2,680,785	1
Directors and Executive Officers as a Group (26 persons)	7,088,483	6,155,802	255,438	17,384,192	5.5

* Less than one percent of the outstanding shares of Synovus stock.

(1) The totals shown for the following directors and executive officers of Synovus include the number of shares of Synovus stock that each individual, as of December 31, 2005, had the right to acquire within 60 days through the

exercise of stock options:

Person	**Number of Shares**
Richard E. Anthony	305,283
James H. Blanchard	1,314,418
Frederick L. Green, III	141,314
G. Sanders Griffith, III	209,188
Elizabeth R. James	110,895
James D. Yancey	1,481,162

In addition, the other executive officers of Synovus had rights to acquire an aggregate of 322,209 shares of Synovus stock within 60 days through the exercise of stock options.

(2) Includes 31,298 shares of Synovus stock held in trusts for which Mr. Goodrich is not the trustee. Mr. Goodrich disclaims beneficial ownership of such shares.

(3) Includes 176,187 shares of Synovus stock held in a trust for which Mr. Lampton is not the trustee. Mr. Lampton disclaims beneficial ownership of such shares.

(4) Includes 2,859,341 shares of Synovus stock held by a charitable foundation of which Mrs. Ogie and Mr. Turner are among the trustees.

For a detailed discussion of the beneficial ownership of TSYS stock by Synovus named executive officers and directors and by all directors and executive officers of Synovus as a group, see TSYS Stock Ownership of Directors and Management on page 36.

Table of Contents

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is comprised of five directors, each of whom the Board has determined to be an independent director as defined by the listing standards of the New York Stock Exchange. The duties of the Audit Committee are summarized in this Proxy Statement under Committees of the Board on page 5 and are more fully described in the Audit Committee charter adopted by the Board of Directors.

One of the Audit Committee s primary responsibilities is to assist the Board in its oversight responsibility regarding the integrity of Synovus financial statements and systems of internal controls. Management is responsible for Synovus accounting and financial reporting processes, the establishment and effectiveness of internal controls and the preparation and integrity of Synovus consolidated financial statements. KPMG LLP, Synovus independent auditor, is responsible for performing an independent audit of Synovus consolidated financial statements and management s assessment of the effectiveness of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing opinions on whether those financial statements are presented fairly in conformity with accounting principles generally accepted in the United States, on management s assessment of the effectiveness of internal control over financial reporting and on the effectiveness of Synovus internal control over financial reporting. The Audit Committee is directly responsible for the compensation, appointment and oversight of KPMG LLP. The function of the Audit Committee is not to duplicate the activities of management or the independent auditor, but to monitor and oversee Synovus financial reporting process.

In discharging its responsibilities regarding the financial reporting process, the Audit Committee:

Reviewed and discussed with management and KPMG LLP Synovus audited consolidated financial statements as of and for the year ended December 31, 2005;

Discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees); and

Received from KPMG LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with KPMG LLP their independence.

Based upon the review and discussions referred to in the preceding paragraph, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements referred to above be included in Synovus Annual Report on Form 10-K for the year ended December 31, 2005, for filing with the Securities and Exchange Commission.

The Audit Committee
J. Neal Purcell, Chair
Elizabeth W. Camp
John P. Illges, III
H. Lynn Page
Melvin T. Stith

KPMG LLP Fees and Services

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of Synovus annual consolidated financial statements for the years ended December 31, 2005 and December 31, 2004 and fees billed for other services rendered by KPMG during those periods. All amounts include fees for services provided to TSYS by KPMG.

	2005	**2004**
Audit Fees(1)	$2,993,000	$2,994,000
Audit Related Fees(2)	1,331,000	1,719,000
Tax Fees(3)	355,000	416,000
All Other Fees(4)	-0-	52,000
Total	$4,679,000	$5,181,000

(1) Audit fees represent fees for professional services provided in connection with the audits of Synovus consolidated financial statements and management s assessment of the effectiveness of internal control over financial reporting, reviews of quarterly financial statements, issuance of comfort letters and other SEC filing matters and audit or attestation services provided in connection with other statutory or regulatory filings.

(2) Audit related fees consisted principally of fees for certain agreed upon procedures engagements, certain internal control reports, employee benefit plan audits and due diligence services related to acquisitions.

(3) Tax fees consisted of fees for tax compliance/preparation ($88,000 in 2005) and tax consultation ($267,000 in 2005) services.

(4) All other fees consisted principally of certain agreed upon procedures related to computer security.

Policy on Audit Committee Pre-Approval

The Audit Committee has the responsibility for appointing, setting the compensation for and overseeing the work of Synovus independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor in order to assure that the provision of these services does not impair the independent auditor s independence. Synovus Audit Committee Pre-Approval Policy addresses services included within the four categories of audit and permissible non-audit services, which include Audit Services, Audit Related Services, Tax Services and All Other Services.

The annual audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. In addition, the Audit Committee must specifically approve permissible non-audit services classified as All Other Services.

Prior to engagement, management submits to the Committee for approval a detailed list of the Audit Services, Audit Related Services and Tax Services that it recommends the Committee engage the independent auditor to provide for the fiscal year. Each specified service is allocated to the appropriate category and accompanied by a budget estimating the cost of that service. The Committee will, if appropriate, approve both the list of Audit Services, Audit Related Services and Tax Services and the budget for such services.

The Committee is informed at each Committee meeting as to the services actually provided by the independent auditor pursuant to the Pre-Approval Policy. Any proposed service that is not separately listed in the Pre-Approval Policy or any service exceeding the pre-approved fee levels must be specifically pre-approved by the Committee. The

Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee. The Chairman must report any pre-approval decisions made by him to the Committee at its next scheduled meeting.

Table of Contents

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes the cash and noncash compensation for each of the last three fiscal years for the chief executive officer of Synovus and for the other four most highly compensated executive officers of Synovus.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards		
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation (1)	Restricted Stock Award(s) (2)	Securities Underlying Options/SARs	All Other Compensation (3)
Richard E. Anthony	2005	$643,050	$ 964,575	$10,000	$1,700,000	57,047	$263,658
President and Chief	2004	510,000	510,000	10,000	-0-	45,620	113,369
Executive Officer	2003	441,606	66,092	10,000	-0-	-0-	81,806
James H. Blanchard	2005	743,200	1,114,800	-0-	-0-	90,716	331,830
Chairman of the Board	2004	811,000	811,000	-0-	-0-	89,300	196,816
	2003	765,000	-0-	5,000	-0-	-0-	179,457
G. Sanders Griffith, III	2005	397,500	417,375	-0-	143,246	16,023	99,735
Senior Executive Vice	2004	382,000	267,400	-0-	-0-	31,518	61,039
President, General	2003	360,000	49,140	-0-	-0-	-0-	44,774
Counsel and Secretary							
Frederick L. Green, III	2005	359,000	376,950	5,000	825,627	14,052	139,025
Vice Chairman	2004	335,000	234,500	-0-	-0-	16,782	197,851
	2003	280,000	41,623	-0-	-0-	-0-	89,025
Elizabeth R. James	2005	354,000	371,700	5,000	127,502	14,262	123,800
Vice Chairman	2004	340,000	238,000	-0-	-0-	28,016	86,511
and Chief People Officer	2003	320,000	43,680	-0-	-0-	-0-	66,944

(1) Amount for 2005 includes matching contributions under the Synovus Director Stock Purchase Plan of $10,000 for Mr. Anthony and $5,000 each for Mr. Green and Ms. James. Perquisites and other personal benefits are excluded because the aggregate amount does not exceed the lesser of $50,000 or 10% of annual salary and bonus for the named executives.

(2) On January 21, 2005, 63,386 shares of restricted stock were granted to Mr. Anthony with a performance-based vesting schedule. The restricted shares have seven 1-year performance periods (2005-2011) during which the Compensation Committee establishes an earnings per share goal and, if such goal is attained during any performance period, 20% of the restricted shares will vest. On January 21, 2005, 26,100 restricted shares were granted to Mr. Green which vest as follows: 20% on January 21, 2006, 2007, 2008, 2009 and 2010. As of December 31, 2005, Mr. Anthony held 64,238 restricted shares with a value of $1,735,068, Mr. Griffith held 5,341 restricted shares with a value of $144,260, Mr. Green held 30,784 restricted shares with a value of $831,476 and Ms. James held 4,754 restricted shares with a value of $128,406. Dividends are paid on all restricted shares.

(3) The 2005 amount includes director fees of $98,700, $90,700, $50,000 and $35,000 for Messrs. Blanchard, Anthony and Green and Ms. James, respectively, in connection with their service as directors and/or advisory directors of Synovus and certain of its subsidiaries; contributions or other allocations to defined contribution plans of $31,500 for each executive; and allocations pursuant to defined contribution excess benefit agreements of $201,630, $141,458, $68,235, $57,525 and $57,300 for each of Messrs. Blanchard, Anthony, Griffith and Green and Ms. James, respectively.

Table of Contents

Stock Option Exercises and Grants

The following tables provide certain information regarding stock options granted and exercised in the last fiscal year and the number and value of unexercised options at the end of the fiscal year.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	Individual Grants					
Name	**Options/ SARs Granted (#)**	**% of Total Options SARs Granted to Employees in Fiscal Year**	**Exercise or Base Price ($/Share)**	**Expiration Date**	**Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation For Option Term(1) 5%($)**	**10%($)**
Richard E. Anthony	57,047(2)	2.2%	$26.82	1/20/2015	$ 962,209	$2,438,427
James H. Blanchard	90,716(2)	3.6	26.82	1/20/2015	1,530,103	3,877,580
G. Sanders Griffith, III	16,023(2)	0.6	26.82	1/20/2015	270,259	684,890
Frederick L. Green, III	14,052(2)	0.6	26.82	1/20/2015	237,014	600,641
Elizabeth R. James	14,262(2)	0.6	26.82	1/20/2015	240,556	609,617

(1) The dollar gains under these columns result from calculations using the identified growth rates and are not intended to forecast future price appreciation of Synovus stock.

(2) Options granted on January 21, 2005 at fair market value. Options become exercisable on January 21, 2008. Options are transferable to family members.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name	**Shares Acquired on Exercise(#)**	**Value Realized ($)(1)**	**Number of Securities Underlying Unexercised Options/SARs at FY-End(#) Exercisable**	**Unexercisable**	**Value of Unexercised In-the-Money Options/SARs at FY-End($)(1) Exercisable**	**Unexercisable**
Richard E. Anthony	-0-	-0-	259,663	502,667	$1,516,556	$ 3,799,601
James H. Blanchard	-0-	-0-	1,225,118	1,680,016	9,684,688	13,081,586
G. Sanders Griffith, III	254,480	$2,923,997	177,670	447,541	840,357	3,773,333

Frederick L. Green, III	56,250	988,081	114,532	40,834	543,249	45,454
Elizabeth R. James	23,076	198,596	82,879	442,278	312,555	3,768,411

(1) Market value of underlying securities at exercise or year-end, minus the exercise or base price.

Employment Contracts and Change in Control Arrangements

Employment Agreement with Mr. Blanchard. Synovus entered into an Employment Agreement with Mr. Blanchard, Chairman of the Board of Synovus, effective September 13, 1999. Under the Employment Agreement, Mr. Blanchard agreed to serve as CEO of Synovus for five years, and to remain employed by Synovus for seven years. Under this Agreement, Mr. Blanchard receives a base salary that is determined on an annual basis by the Synovus Compensation Committee. During 2005, Synovus paid Mr. Blanchard a base salary of $743,200 under this Employment Agreement. The Employment Agreement with Mr. Blanchard also provides that Mr. Blanchard will receive deferred compensation totaling $468,000 over a 10 to 15 year period following his death, disability or other termination of employment. This deferred compensation may be forfeited in the event Synovus terminates his employment for cause, he violates a two year covenant not to compete, or in the event of his death by suicide.

Long-Term Incentive Plans. Under the terms of Synovus 1992, 1994, 2000 and 2002 Long-Term Incentive Plans, all awards become automatically vested in the event of a Change of Control, as defined below, unless otherwise determined by the Compensation Committee at grant. Awards under the Plans may include stock options, restricted stock, stock appreciation rights and

Table of Contents

performance awards. Messrs. Blanchard, Anthony, Griffith and Green and Ms. James each have received restricted stock and stock options under the Long-Term Incentive Plans.

Change of Control Agreements. Synovus has entered into Change of Control Agreements with Messrs. Blanchard, Anthony, Griffith and Green and with Ms. James, and certain other executive officers. In the event of a Change of Control, an executive would receive the following:

- Three times the executive s current base salary and bonus (bonus is defined as the average bonus over the past three years measured as a percentage multiplied by the executive s current base salary);
- Three years of medical, life, disability and other welfare benefits; and
- A pro rata bonus through the date of termination for the separation year.

In order to receive these benefits, an executive must be actually or constructively terminated within two years following a Change of Control. A Change of Control under these agreements is defined as: (i) the acquisition of 20% or more of the beneficial ownership of Synovus outstanding voting stock, with certain exceptions for Turner family members; (ii) the persons serving as directors of Synovus as of January 21, 2005, and their replacements or additions, ceasing to comprise at least two-thirds of the Board members; or (iii) a merger, consolidation, reorganization or sale of Synovus assets unless the prior owners of Synovus own more than 60% of the new company, no person owns more than 20% of the new company, and two-thirds of the new company s Board members are prior Board members of Synovus. In the event an executive is impacted by the Internal Revenue Service excise tax that applies to certain Change of Control arrangements, and the Change of Control payments exceed the IRS cap by more than 110%, the executive would receive additional payments so that he or she would be in the same position as if the excise tax did not apply. The Change of Control Agreements do not provide for any retirement benefits or perquisites.

Table of Contents

STOCK PERFORMANCE GRAPH

The following graph compares the yearly percentage change in cumulative shareholder return on Synovus stock with the cumulative total return of the Standard & Poor s 500 Index and the Keefe, Bruyette & Woods 50 Bank Index for the last five fiscal years (assuming a $100 investment on December 31, 2000 and reinvestment of all dividends).

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
SYNOVUS FINANCIAL CORP., S&P 500 AND KBW 50 BANK INDEX

	2000	2001	2002	2003	2004	2005
Synovus	$100	$ 95	$ 75	$115	$117	$114
S&P 500	$100	$ 88	$ 69	$ 88	$ 98	$103
KBW 50	$100	$ 96	$ 89	$119	$131	$133

Table of Contents

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of Synovus is responsible for the oversight and administration of the Synovus executive compensation program. The Committee s charter reflects these responsibilities. To fulfill its responsibilities, the Committee meets at scheduled times during the year, and also takes action by written consent. The Chairman of the Committee reports on Committee actions at meetings of the Synovus Board of Directors. Under its charter, the Committee has the authority to retain outside advisors to assist the Committee in fulfilling its responsibilities. In this regard, the Committee has directly engaged an outside compensation consultant to assist the Committee in its review of the compensation for Synovus executive officers.

Overall Compensation Philosophy

The Committee s overall compensation philosophy is that a substantial portion (though not necessarily a majority) of an executive s compensation should be at risk and vary with the performance of Synovus. Both the short-term and long-term performance of Synovus directly affect executive compensation each executive s annual bonus and retirement plan contributions vary with Synovus short-term performance and each executive s long-term incentive awards vary with Synovus long-term performance. The Committee believes that the Synovus executive compensation program has a higher proportion of total compensation at risk based upon performance than the executive compensation programs at competitor companies. The Committee believes that its at risk philosophy effectively aligns the executive compensation program with the interests of shareholders.

Primary Components of Executive Compensation

The primary components of the Synovus executive compensation program are:

- Base Salary
- Annual Bonus
- Long-Term Incentives

Each of these primary components is discussed below in detail.

Base Salary. Base salary is an executive s annual rate of pay without regard to any other elements of compensation. The primary consideration used by the Committee to determine an executive s base salary is a market comparison of comparable positions within banks similar in asset size or market capitalization to Synovus (similar companies) based upon the executive s level of responsibility and experience. Base salaries are targeted in the median range of similar companies. In addition to market comparisons, internal equity and individual performance are also considered in determining an executive s base salary. Based upon market comparisons, the Committee increased Mr. Anthony s base salary in 2005, as well as the base salaries of Synovus other executive officers.

Annual Bonus. The Committee currently awards annual bonuses under two different plans, the Synovus Executive Bonus Plan (which was approved by Synovus shareholders in 2001) and the Synovus Incentive Bonus Plan. The Committee selects the participants in each Plan from year to year. For 2005, the Committee selected Messrs. Blanchard and Anthony to participate in the Executive Bonus Plan while Messrs. Griffith and Green and Ms. James were selected to participate in the Incentive Bonus Plan. Under the terms of the Plans, bonus amounts are paid as a percentage of base earnings based on the achievement of performance goals that are established each year by the Committee. The performance goals are chosen by the Committee from a variety of performance measurements. For 2005, the Committee established a payout matrix based on attainment of growth in diluted earnings per share goals for Mr. Anthony and Synovus other

executive officers. The target percentage payouts under the Plans for 2005 were 100% for Messrs. Blanchard and Anthony and 70% for Messrs. Griffith and Green and Ms. James. Synovus financial performance and each executive s individual performance can reduce the bonus awards determined by the attainment of the goals. Synovus exceeded its earnings per share growth goal for 2005. However, based upon a recommendation from management, the Committee exercised downward discretion and reduced the bonus awards by 50% based upon affordability and pending deconversions of TSYS clients. After exercising downward discretion, the Committee awarded Messrs. Blanchard, Anthony, Griffith and Green and Ms. James the bonus amounts as set forth in the Summary Compensation Table.

Long-Term Incentives. The Committee has awarded long-term incentives in the form of stock options and restricted stock awards to executives. Restricted stock awards are designed to create equity ownership and to focus executives on the long-term performance of Synovus. Stock options provide executives with the opportunity to buy and maintain an equity interest in Synovus and to share in its capital appreciation. The Committee has established a payout matrix for long-term grants that uses total shareholder return measured by Synovus performance (stock price increases plus dividends) and how Synovus total shareholder return compares to the return of the peer group of companies appearing in the Stock Performance Graph on page 29. For the 2005 long-term incentive awards, total shareholder return and peer comparisons were measured during the 2002 to 2004 performance period. Based upon Synovus performance as measured by the payout matrix during the performance period, the Committee awarded Messrs. Blanchard, Anthony, Griffith and Green and Ms. James stock options of 90,716, 57,047, 16,023, 14,052 and 14,262 shares, respectively, and the Committee awarded Messrs. Griffith and Green and Ms. James restricted shares of 5,341, 4,684 and 4,754, respectively, which options and restricted shares vest on January 21, 2008. In addition, in order to reflect their promotion into new roles and their assumption of new responsibilities, the Committee awarded Mr. Anthony and Mr. Green restricted shares of 63,386 and 26,100 shares, respectively. The restricted shares granted to Mr. Anthony are performance-based, with seven 1-year performance periods. During each performance period, the Committee establishes an earnings per share goal and, if such goal is attained during the performance period, 20% of the restricted shares will vest. The restricted shares granted to Mr. Green vest as follows: 20% on January 21, 2006, 2007, 2008, 2009 and 2010.

Stock Ownership Guidelines and Hold Until Retirement Provision. The Committee has adopted Executive Stock Ownership Guidelines to align the interests of Synovus executive officers to that of Synovus shareholders. For the named executive officers, the Guideline is a number of shares equal to five (for Messrs. Blanchard and Anthony), or three (for Messrs. Griffith and Green and Ms. James) times the executive s base salary as of January 1, 2006, divided by the average closing price of Synovus stock for the 2005 calendar year. The Guideline, which was initially effective January 1, 2004, is recalculated at the beginning of each calendar year. Executives have a five year grace period to fully achieve the Guideline, with an interim three year grace period to attain a specified percentage of the Guideline. Until the Guideline is achieved, executives are required to retain all net shares received upon the exercise of stock options, excluding shares used to pay the option s exercise price and any taxes due upon exercise. The Guidelines permit the development of an alternative ownership plan by the Chairman of the Board and Chairman of the Compensation Committee in the event of an executive s severe financial hardship. In 2005, the Committee added a Hold Until Retirement provision to the Guideline. Under this provision, executives who have satisfied the Guideline are required to retain ownership of 50% of all stock acquired through Synovus stock compensation plans, after taxes and transaction costs, until retirement, or other termination of employment.

Other Compensation Components

Synovus executives receive other benefits in addition to the components described above. Those benefits, which are described below, are retirement and health and welfare benefits, perquisites and change of control/severance agreements.

Retirement Plans. Synovus sponsors three qualified retirement benefit plans: the Synovus/TSYS Money Purchase Pension Plan, the Synovus/TSYS Profit Sharing Plan and the Synovus/TSYS 401(k) Savings Plan (collectively the Retirement Plans). The Retirement Plans, which are designed to provide retirement income, are directly related to Synovus performance because, in addition to the annual 7% of compensation money purchase pension contribution, additional contributions can be made (up to a maximum of 14% of compensation), depending upon Synovus performance. For 2005, Mr. Anthony and Synovus other executive officers received a contribution of 7% of compensation under the Synovus/TSYS Profit Sharing Plan and 1% of compensation under the Synovus/TSYS 401(k) Savings Plan based upon Synovus performance. The Synovus/TSYS Deferred Compensation Plan (Deferred Plan) is a non-qualified deferred compensation plan that replaces benefits lost under the qualified retirement plans due to legal limits. The Deferred Plan does not provide executives with an above market rate of return. Instead, executives deferred accounts under the Deferred Plan are invested among the investment alternatives offered under the Synovus/TSYS 401(k) Savings Plan at the election of each executive.

Health and Welfare Benefits. Health and welfare benefits are designed to protect against catastrophic events, such as illness, disability and death. Executives generally receive the same health and welfare benefits offered to other Synovus team members. There were no premiums paid on split-dollar life insurance policies on behalf of Mr. Anthony or any executive officer during 2005 and, due to recent legislative changes, the Committee does not anticipate that there will be any split-dollar premiums paid in the future.

Perquisites. The Committee s philosophy is that perquisites should be an extremely small portion of total compensation, although some perquisites are offered as a part of the executive compensation program in order to attract and retain executives. The perquisites provided to Mr. Anthony and Synovus executives during 2005 included an auto allowance, personal use of corporate aircraft, payment of club dues, and financial planning assistance. Valued on an incremental cost basis, the perquisites do not exceed the lesser of $50,000 or 10% of the annual salary and bonus for Mr. Anthony and the named executives.

Change of Control/Severance Arrangements. With respect to severance arrangements, the Committee s philosophy is that compensation should be earned while an executive is employed, and not after the executive has separated employment. The Committee has approved limited arrangements, however, when it deems appropriate under the circumstances. For example, the Committee has approved change of control arrangements for its executives. During 2004 and the beginning of 2005, the Committee reviewed the change of control arrangements and determined that certain provisions were not in line with the Committee s philosophy or market practice. As a result, the Change of Control Agreements for the named executive officers were amended at the beginning of 2005 to: (1) change the definition of a change in control from a merger in which less than two-thirds (2/3) of shareholders carryover to a merger in which less than sixty percent (60%) of shareholders carryover, (2) eliminate the ability of an executive to trigger benefits by voluntarily resigning during the 13th month following a change of control, (3) extend the time during which an executive can receive benefits under the agreement upon an involuntary termination without cause or a voluntary termination for good reason from one year to two years, and (4) provide that a gross-up for excise taxes only occurs if the total change of control payments exceed 110% of the applicable IRS cap.

Section 162(m). Internal Revenue Code Section 162(m) limits the deductibility for federal income tax purposes of annual compensation paid by a publicly held corporation to its chief executive officer and four other highest paid executives for amounts in excess of $1 million, unless certain conditions are met. Because the Committee seeks to maximize shareholder value, the Committee has taken steps to ensure that any compensation paid to its executives in excess of $1 million is deductible. When necessary to meet the requirements for deductibility under the Internal Revenue Code, a member of the Committee may abstain from voting on performance

Table of Contents

based compensation. For 2005, Messrs. Blanchard, Anthony, Griffith and Green would have been affected by this provision, but for the steps taken by the Committee. The Committee reserves the ability to make awards which do not qualify for full deductibility under the Internal Revenue Code, however, if the Committee determines that the benefits of doing so outweigh full deductibility.

Total Compensation Review

During 2005, the Committee reviewed all components of executive compensation for Mr. Anthony and Synovus other executive officers and concluded that the total compensation amounts (and, in the case of the change of control arrangements, the potential payout amounts) are reasonable and not excessive. In addition, a tally sheet for Mr. Anthony was prepared and reviewed by the Committee. The tally sheet added all of the components of Mr. Anthony s compensation including base salary, bonus, long-term incentive compensation, health and welfare benefits, retirement benefits and perquisites. The tally sheet also set forth the value of accumulated stock option and restricted stock gains with respect to both previous and outstanding equity grants. In addition, the tally sheet projected future salary and bonus amounts and the potential value of future stock option and restricted stock grants. The tally sheet also projected dollar amounts that would be payable to Mr. Anthony in the event of a change of control or under several potential severance scenarios. The Committee believes that the executive compensation program s pay-for-performance philosophy has aligned executive pay at Synovus with the interests of Synovus shareholders.

The Compensation Committee
V. Nathaniel Hansford, Chair
T. Michael Goodrich
Mason H. Lampton

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2005, Synovus executive officers and directors (including their immediate family members and organizations with which they are affiliated) were also customers. In management s opinion, the lending relationships with these directors and officers were made in the ordinary course of business and on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with other customers and do not involve more than normal collection risk or present other unfavorable features. In addition to these lending relationships, some directors and their affiliated organizations provide services or otherwise do business with Synovus and its subsidiaries, and we in turn provide services, including retail brokerage and other financial services, or otherwise do business with the directors and their organizations, in each case in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with other nonaffiliated persons.

On January 3, 2005, Synovus made a capital commitment of $60 million to TTP Fund II, L.P. (TTP II), which currently represents an approximately 82.79% interest in TTP II. As of January 20, 2006, Synovus had funded approximately 12.01% of its capital commitment. TTP II is managed by Total Technology Partners II, LLC, its general partner. The general partner of TTP II will receive a 20% carried interest in TTP II. As direct and indirect owners of carried interest units in the TTP II general partner, Synovus and Gardiner W. Garrard, III, the son of Gardiner W. Garrard, Jr. who serves as a director of Synovus, TSYS and CB&T, will be entitled to receive

Table of Contents

approximately 15% and 42.5%, respectively, of any carried interest distributions made by TTP II to its general partner.

Synovus has made a capital commitment of $30 million to TTP Fund, L.P. (TTP I), a predecessor fund to TTP II. This capital commitment currently represents an approximately 79.79% interest in TTP I. As of January 20, 2006, Synovus had funded approximately 84.67% of its capital commitment. Synovus will receive a 5% carried interest in TTP I. TTP I is managed by Total Technology Partners, LLC, its general partner, which will receive a 15% carried interest in TTP I. Gardiner W. Garrard, III is entitled to receive 47.4% of any carried interest received by the general partner through his ownership interest in the general partner.

The general partner of each of the funds has entered into an agreement with Total Technology Ventures, LLC (TTV) pursuant to which TTV will provide investment management administrative services to each such general partner. Synovus and Gardiner W. Garrard, III hold percentage interests in TTV of 60% and 20%, respectively, and have capital commitments of $1,200,000, and $400,000, respectively, of which 75% have been funded. Synovus serves as the manager of TTV. Gardiner W. Garrard, III and an unrelated member of TTV share responsibility for the day-to-day operations of TTV. The fee payable quarterly by each general partner to TTV for the services provided equals the management fee received quarterly by such general partner from the fund it manages, subject to certain adjustments and reductions. The management fee payable to TTV by the general partner of TTP I and TTP II for such services during 2005 was $743,595, and $1,532,436, respectively. For his role as President and Chief Executive Officer of TTV and managing member of each general partner, Gardiner W. Garrard, III received $250,000 in compensation during 2005.

During 2005, Synovus and its subsidiaries paid the Sea Island Company $251,420 for various hospitality services. Alfred W. Jones III, a director of Synovus and TSYS, is an officer, director and shareholder of the Sea Island Company. James H. Blanchard, Chairman of the Board of Synovus, Chairman of the Executive Committee of TSYS and a director of CB&T, is a director of the Sea Island Company. The charges for these services are comparable to charges to similarly situated unrelated third parties for similar services at similar facilities.

Synovus leased various properties in Columbus, Georgia from W.C. Bradley Co. for office space and storage during 2005. The rent paid for the space was $983,970. During 2005, TSYS leased office space in Columbus, Georgia from W.C. Bradley Co. for lease payments of $726,512. Also during 2005, W.C. Bradley Co. paid a subsidiary of TSYS $1,933,677 for various printing services. The terms of the lease agreements and the charges for printing services are comparable to those provided for between similarly situated unrelated third parties in similar transactions.

CB&T and W.C.B. Air L.L.C. are parties to a Joint Ownership Agreement pursuant to which they jointly own or lease aircraft. W.C. Bradley Co. owns all of the limited liability company interests of W.C.B. Air. CB&T and W.C.B. Air have each agreed to pay fixed fees for each hour they fly the aircraft owned and/or leased pursuant to the Joint Ownership Agreement. CB&T paid an aggregate sum of $3,963,520 for use of the aircraft during 2005 pursuant to the terms of the Joint Ownership Agreement. This amount represents the charges incurred by CB&T and its affiliated corporations for use of the aircraft, and includes $1,947,275 for TSYS use of the aircraft, for which CB&T was reimbursed by TSYS. James H. Blanchard, Chairman of the Board of Synovus, Chairman of the Executive Committee of TSYS and a director of CB&T, is a director of W.C. Bradley Co. James D. Yancey, Chairman of the Board of CB&T and a director of Synovus and TSYS, is a director of W.C. Bradley Co. William B. Turner, Jr., Vice Chairman of the Board and President of W.C. Bradley Co., is a director of Synovus and CB&T. John T. Turner, William B. Turner, Jr. s brother, is a director of W.C. Bradley Co. and a director of TSYS and CB&T.

During 2005, a banking subsidiary of Synovus leased office space in Daniel Island, South Carolina from DIBS Holdings, LLC for $170,203. Frank W. Brumley, a director of Synovus, is managing member of and holds a 30% equity interest in DIBS Holdings, LLC. The terms of the

Table of Contents

lease agreement are comparable to those provided for between similarly situated unrelated third parties in similar transactions.

During 2005, Synovus and its wholly owned subsidiaries and TSYS paid to Communicorp, Inc. $556,044 and $712,058, respectively, for printing, marketing and promotional services provided by Communicorp, Inc. Communicorp, Inc. is a wholly owned subsidiary of Aflac Incorporated. Daniel P. Amos, a director of Synovus, is Chief Executive Officer and a director of Aflac Incorporated. The amount paid to Communicorp, Inc. by Synovus and its subsidiaries, including TSYS, represents less than .01% of Aflac Incorporated s 2005 gross revenues. The payments for these services are comparable to payments between similarly situated unrelated third parties for similar services.

William Russell Blanchard, a son of James H. Blanchard, Chairman of the Board of Synovus, was employed by a subsidiary of Synovus as a retail banking executive during 2005. William Russell Blanchard received $135,130 in compensation during 2005. James Edwin Blanchard, a son of James H. Blanchard, was employed by Synovus as a pilot during 2005. James Edwin Blanchard received $69,872 in compensation during 2005. William Fray McCormick, the son-in-law of director Richard Y. Bradley, was employed by a subsidiary of Synovus as a trust officer during 2005. Mr. McCormick received $96,470 in compensation for his services during the year. James Kimbrough Sheek, IV, the son-in-law of director H. Lynn Page, was employed by a subsidiary of Synovus as a trust officer during 2005. Mr. Sheek received $145,633 in compensation during 2005. Roderick Cowan Hunter, the son-in-law of director James D. Yancey, was employed by a subsidiary of Synovus as a director of sales and marketing during 2005. Mr. Hunter received $121,594 in compensation during 2005. The compensation received by the employees listed above is determined under the standard compensation practices of Synovus.

PRINCIPAL SHAREHOLDERS

The following table sets forth the number of shares of Synovus stock held by the only known holders of more than 5% of the outstanding shares of Synovus stock as of December 31, 2005.

Name and Address of Beneficial Owner	Shares of Synovus Stock Beneficially Owned as of 12/31/05	Percentage of Outstanding Shares of Synovus Stock Beneficially Owned as of 12/31/05
Synovus Trust Company, N.A.(1) 1148 Broadway Columbus, Georgia 31901	50,206,073(2)	16.1%

(1) The shares of Synovus stock held by Synovus Trust Company are voted by the President of Synovus Trust Company.

(2) As of December 31, 2005, the banking, brokerage, investment advisory and trust company subsidiaries of Synovus, including CB&T through its wholly owned subsidiary, Synovus Trust Company, held in various fiduciary or advisory capacities a total of 50,227,188 shares of Synovus stock as to which they possessed sole or shared voting or investment power. Of this total, Synovus Trust Company held 45,947,817 shares as to which it possessed sole investment power, 42,856,998 shares as to which it possessed sole voting power, 708,071 shares as to which it possessed shared voting power and 3,511,840 shares as to which it possessed shared investment power. The other banking, brokerage, investment advisory and trust subsidiaries of Synovus held 21,115 shares as to which they possessed sole investment power. Synovus and its subsidiaries disclaim beneficial ownership of all shares of Synovus stock which are held by them in various fiduciary, advisory, non-advisory or agency capacities.

Table of Contents

RELATIONSHIPS BETWEEN SYNOVUS, CB&T, TSYS AND CERTAIN OF SYNOVUS SUBSIDIARIES AND AFFILIATES

Beneficial Ownership of TSYS Stock by CB&T

The following table sets forth, the number of shares of TSYS stock beneficially owned by CB&T, the only known beneficial owner of more than 5% of the issued and outstanding shares of TSYS stock, as of December 31, 2005.

Name and Address of Beneficial Owner	Shares of TSYS Stock Beneficially Owned as of 12/31/05	Percentage of Outstanding Shares of TSYS Stock Beneficially Owned as of 12/31/05
Columbus Bank and Trust Company 1148 Broadway Columbus, Georgia 31901	159,630,980(1)(2)	81%

(1) CB&T individually owns these shares.

(2) As of December 31, 2005, Synovus Trust Company, N.A. and the other banking, brokerage, investment advisory and trust company subsidiaries of Synovus held in various fiduciary or advisory capacities a total of 3,116,723 shares (1.6%) of TSYS stock. Of this total, Synovus Trust Company held 2,763,470 shares as to which it possessed sole voting power, 2,751,441 shares as to which it possessed sole investment power, 270,328 shares as to which it possessed shared voting power and 359,624 shares as to which it possessed shared investment power. The other banking, brokerage, investment advisory and trust subsidiaries of Synovus held 5,658 shares as to which they possessed sole investment power. Synovus and its subsidiaries disclaim beneficial ownership of all shares of TSYS stock which are held by them in various fiduciary, advisory, non-advisory and agency capacities.

CB&T, by virtue of its ownership of 159,630,980 shares, or 81% of the outstanding shares of TSYS stock on December 31, 2005, presently controls TSYS. Synovus presently controls CB&T.

Interlocking Directorates of Synovus, CB&T and TSYS

Five of the members of Synovus Board of Directors also serve as members of the Boards of Directors of TSYS and CB&T. They are James H. Blanchard, Richard Y. Bradley, Gardiner W. Garrard, Jr., H. Lynn Page and James D. Yancey. Richard E. Anthony, William B. Turner, Jr. and Elizabeth C. Ogie serve as members of the Board of Directors of CB&T. John P. Illges, III, Alfred W. Jones III and Mason H. Lampton serve as members of the Board of Directors of TSYS.

TSYS Stock Ownership of Directors and Management

The following table sets forth the number of shares of TSYS stock beneficially owned by each of Synovus directors, each executive officer named in the Summary Compensation Table on page 26 and all directors and executive officers as a group as of December 31, 2005.

	Shares of TSYS Stock	Shares of TSYS Stock Beneficially	Shares of TSYS Stock Beneficially	Percentage of

Name	Beneficially Owned with Sole Voting and Investment Power as of 12/31/05	Owned with Shared Voting and Investment Power as of 12/31/05	Owned with Sole Voting and No Investment Power as of 12/31/05	Total Shares of TSYS Stock Beneficially Owned as of 12/31/05	Outstanding Shares of TSYS Stock Beneficially Owned as of 12/31/05
Daniel P. Amos		820,800		820,800	*
Richard E. Anthony					
James H. Blanchard	669,569	360,480		1,030,049	1
Richard Y. Bradley	24,803	5,000	500	30,303	*
Frank W. Brumley	10,000			10,000	*
Elizabeth W. Camp					

36

Name	Shares of TSYS Stock Beneficially Owned with Sole Voting and Investment Power as of 12/31/05	Shares of TSYS Stock Beneficially Owned with Shared Voting and Investment Power as of 12/31/05	Shares of TSYS Stock Beneficially Owned with Sole Voting and No Investment Power as of 12/31/05	Total Shares of TSYS Stock Beneficially Owned as of 12/31/05	Percentage of Outstanding Shares of TSYS Stock Beneficially Owned as of 12/31/05
C. Edward Floyd	20,000			20,000	*
Gardiner W. Garrard, Jr.	22,421		500	22,921	*
T. Michael Goodrich					
Frederick L. Green, III		138		138	
G. Sanders Griffith, III	2,688		16,734	19,422	*
V. Nathaniel Hansford	1,592			1,592	*
John P. Illges, III	104,589	81,750	500	186,839	*
Elizabeth R. James	16,999			16,999	*
Alfred W. Jones III	6,419		500	6,919	*
Mason H. Lampton	77,768	30,614	500	108,882	*
Elizabeth C. Ogie	7,200	45,290		52,490	*
H. Lynn Page	316,623	131,146	500	448,269	*
J. Neal Purcell	1,000			1,000	*
Melvin T. Stith					
William B. Turner, Jr.		576,000		576,000	*
James D. Yancey	609,176	42,730	500	733,406	*
Directors and Executive Officers as a Group (26 persons)	1,974,012	2,093,948	20,234	4,088,194	2.1

* Less than one percent of the outstanding shares of TSYS stock.

Transactions and Agreements Between Synovus, CB&T, TSYS and Certain of Synovus Subsidiaries

The terms of the transactions set forth below are comparable to those provided for between similarly situated unrelated third parties in similar transactions.

During 2005, CB&T and certain of Synovus other banking subsidiaries received electronic payment processing services from TSYS. During 2005, TSYS derived $4,996,055 in revenues from CB&T and certain of Synovus other banking subsidiaries for the performance of electronic payment processing services and $6,074,717 in revenues from Synovus and its subsidiaries for the performance of other data processing, software and business process management services.

TSYS and Synovus are parties to Lease Agreements pursuant to which Synovus leased from TSYS office space for lease payments aggregating $945,382 during 2005.

Synovus and TSYS are parties to Management Agreements pursuant to which Synovus provides certain management services to TSYS. During 2005, these services included human resource services, maintenance services, security services, communication services, corporate education services, travel services, investor relations services, corporate governance services, legal services, regulatory and statutory compliance services, executive management services performed on behalf of TSYS by certain of Synovus officers and financial services. As compensation for management services provided during 2005, TSYS paid Synovus aggregate management fees of $8,131,427. Management fees are subject to future adjustments based upon charges at the time by unrelated third parties for comparable services.

During 2005, Synovus Trust Company served as trustee of various employee benefit plans of TSYS. During 2005, TSYS paid Synovus Trust Company trustee s fees under these plans of $563,074. Also during 2005, Synovus Investment Advisors, Inc., a subsidiary of Synovus, provided advisory services to various employee benefit plans of TSYS for advisory fees of $28,453.

Table of Contents

During 2005, CB&T paid TSYS Total Debt Management, Inc., a subsidiary of TSYS, $324,000 for debt collection services.

During 2005, Columbus Depot Equipment Company, a wholly owned subsidiary of TSYS, and Synovus, CB&T and two of Synovus other subsidiaries were parties to Lease Agreements pursuant to which Synovus, CB&T and two of Synovus other subsidiaries leased from Columbus Depot Equipment Company computer related equipment for bankcard and bank data processing services for lease payments aggregating $9,540.

During 2005, Synovus and CB&T paid TSYS an aggregate of $1,563,962 for miscellaneous reimbursable items, such as data links, network services and postage, primarily related to processing services provided by TSYS.

During 2005, Synovus, CB&T and other Synovus subsidiaries paid to Columbus Productions, Inc., a wholly owned subsidiary of TSYS, $607,880 for printing services.

During 2005, CB&T leased office space from TSYS for lease payments of $39,405. In addition, TSYS leased furniture and equipment from CB&T during 2005 for lease payments of $101,592. Also during 2005, TSYS and its subsidiaries were paid $2,827,759 of interest by CB&T and certain of Synovus other banking subsidiaries in connection with deposit accounts with, and commercial paper purchased from, CB&T and certain of Synovus other banking subsidiaries. Furthermore, during 2005 TSYS paid CB&T and certain of Synovus other banking subsidiaries fees of $104,831 for the provision of other banking services and $37,215 of interest.

TSYS has entered into an agreement with CB&T with respect to the use of aircraft owned or leased by CB&T and W.C.B. Air L.L.C. CB&T and W.C.B. Air are parties to a Joint Ownership Agreement pursuant to which they jointly own or lease aircraft. TSYS paid CB&T $1,947,275 for its use of the aircraft during 2005.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires Synovus officers and directors, and persons who own more than ten percent of Synovus stock, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission and the New York Stock Exchange. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish Synovus with copies of all Section 16(a) forms they file.

To Synovus knowledge, based solely on its review of the copies of such forms received by it, and written representations from certain reporting persons that no Forms 5 were required for those persons, Synovus believes that during the fiscal year ended December 31, 2005 all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with, except that Mr. Amos reported two transactions late on two reports.

SHAREHOLDER PROPOSALS AND NOMINATIONS

In order for a shareholder proposal to be considered for inclusion in Synovus Proxy Statement for the 2007 Annual Meeting of Shareholders, the written proposal must be received by the Corporate Secretary of Synovus at the address below. The Corporate Secretary must receive the proposal no later than November 24, 2006. The proposal will also need to comply with the SEC s

Table of Contents

regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company sponsored proxy materials. Proposals should be addressed to:

Corporate Secretary
Synovus Financial Corp.
1111 Bay Avenue, Suite 500
Columbus, Georgia 31901

For a shareholder proposal that is not intended to be included in Synovus Proxy Statement, or if you want to nominate a person for election as a director, you must provide written notice to the Corporate Secretary at the address above. The Secretary must receive this notice not earlier than December 24, 2006 and not later than February 7, 2007. The notice of a proposed item of business must provide information as required in the bylaws of Synovus which, in general, require that the notice include for each matter a brief description of the matter to be brought before the meeting; the reason for bringing the matter before the meeting; your name, address, and number of shares you own; and any material interest you have in the proposal.

The notice of a proposed director nomination must provide information as required in the bylaws of Synovus which, in general, require that the notice of a director nomination include your name, address and the number of shares you own; the name, age, business address, residence address and principal occupation of the nominee; and the number of shares beneficially owned by the nominee. It must also include the information that would be required to be disclosed in the solicitation of proxies for the election of a director under federal securities laws. You must submit the nominee s consent to be elected and to serve. A copy of the bylaw requirements will be provided upon request to the Corporate Secretary at the address above.

Table of Contents

GENERAL INFORMATION

Financial Information

A copy of Synovus 2005 Form 10-K will be furnished, without charge, by writing to the Corporate Secretary, Synovus Financial Corp., 1111 Bay Avenue, Suite 500, Columbus, Georgia 31901. The Form 10-K is also available on Synovus home page on the Internet at www.synovus.com. Click on Investor Relations, Financial Reports and SEC Filings.

Solicitation of Proxies

Synovus will pay the cost of soliciting proxies. Proxies may be solicited on behalf of Synovus by directors, officers or employees by mail, in person or by telephone, facsimile or other electronic means. Synovus will reimburse brokerage firms, nominees, custodians, and fiduciaries for their out-of-pocket expenses for forwarding proxy materials to beneficial owners.

Householding

The Securities and Exchange Commission has adopted amendments to its proxy rules which permit companies and intermediaries, such as brokers and banks, to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement to those shareholders. This method of delivery, often referred to as householding, should reduce the amount of duplicate information that shareholders receive and lower printing and mailing costs for companies. Synovus is not householding proxy materials for its shareholders of record in connection with its 2006 Annual Meeting. However, we have been notified that certain intermediaries will household proxy materials. If you hold your shares of Synovus stock through a broker or bank that has determined to household proxy materials:

Only one annual report and proxy statement will be delivered to multiple shareholders sharing an address unless you notify your broker or bank to the contrary;

You can contact Synovus by calling (706) 649-5220 or by writing Director of Investor Relations, Synovus Financial Corp., P.O. Box 120, Columbus, Georgia 31902 to request a separate copy of the annual report and proxy statement for the 2006 Annual Meeting and for future meetings or you can contact your bank or broker to make a similar request; and

You can request delivery of a single copy of annual reports or proxy statements from your bank or broker if you share the same address as another Synovus shareholder and your bank or broker has determined to household proxy materials.

The above Notice of Annual Meeting and Proxy Statement are sent by order of the Synovus Board of Directors.

Richard E. Anthony
President and Chief Executive Officer

March 24, 2006

Table of Contents

APPENDIX A
SYNOVUS FINANCIAL CORP.
DIRECTOR INDEPENDENCE STANDARDS

The following independence standards have been approved by the Board of Directors and are included within Synovus Corporate Governance Guidelines.

A majority of the Board of Directors will be independent directors who meet the criteria for independence required by the NYSE. The Corporate Governance and Nominating Committee will make recommendations to the Board annually as to the independence of directors as defined by the NYSE. To be considered independent under the NYSE Listing Standards, the Board must determine that a director does not have any direct or indirect material relationship with the Company. The Board has established the following standards to assist it in determining director independence. A director is not independent if:

The director is, or has been within the last three years, an employee of the Company or an immediate family member is, or has been within the last three years, an executive officer of the Company.

The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). (Compensation received by an immediate family member for service as an employee of the Company (other than an executive officer) is not taken into consideration under this independence standard).

(A) The director or an immediate family member is a current partner of a firm that is the Company s internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company s audit within that time.

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that company s compensation committee.

The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues.

The following relationships will not be considered to be material relationships that would impair a director s independence:

The director is a current employee, or an immediate family member of the director is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services (including financial services) in an amount which, in the prior fiscal year, is less than the greater of $1 million, or 2% of such other company s consolidated gross revenues. (In the event this threshold is exceeded, and where applicable in the standards set forth below, the three year look back period referenced above will apply to future independence determinations).

The director or an immediate family member of the director is a partner of a law firm that provides legal services to the Company and the fees paid to such law firm by the Company

Table of Contents

in the prior fiscal year were less than the greater of $1 million, or 2% of the law firm s total revenues.

The director or an immediate family member of the director is an executive officer of a tax exempt organization and the Company s contributions to the organization in the prior fiscal year were less than the greater of $1 million, or 2% of the organization s consolidated gross revenues.

The director received less than $100,000 in direct compensation from the Company during the prior twelve month period, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

The director s immediate family member received in his or her capacity as an employee of the Company (other than as an executive officer of the Company), less than $250,000 in direct compensation from the Company in the prior fiscal year, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

The director or an immediate family member of the director has, directly, in his or her individual capacities, or, indirectly, in his or her capacity as the owner of an equity interest in a company of which he or she is not an employee, lending relationships, deposit relationships or other banking relationships (such as depository, trusts and estates, private banking, investment banking, investment management, custodial, securities brokerage, insurance, cash management and similar services) with the Company provided that:

1) Such relationships are in the ordinary course of business of the Company and are on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons; and

2) With respect to extensions of credit by the Company s subsidiaries:

   (a) such extensions of credit have been made in compliance with applicable law, including Regulation O of the Board of Governors of the Federal Reserve, Sections 23A and 23B of the Federal Reserve Act and Section 13(k) of the Securities Exchange Act of 1934; and

   (b) no event of default has occurred under the extension of credit.

For relationships not described above or otherwise not covered in the above examples, a majority of the Company s independent directors, after considering all of the relevant circumstances, may make a determination whether or not such relationship is material and whether the director may therefore be considered independent under the NYSE Listing Standards. The Company will explain the basis of any such determinations of independence in the next proxy statement.

For purposes of these independence standards an immediate family member includes a person s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person s home.

For purposes of these independence standards Company includes any parent or subsidiary in a consolidated group with the Company.

A-2

Table of Contents

APPENDIX B
SYNOVUS FINANCIAL CORP.
DIRECTOR ELECTION BY MAJORITY VOTE GUIDELINES

The following director election by majority vote guidelines have been approved by the Board of Directors and are included within Synovus Corporate Governance Guidelines.

In an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote) will promptly tender his or her resignation following certification of the shareholder vote.

The Corporate Governance and Nominating Committee will promptly consider the resignation offer and recommend to the Board whether to accept or reject it, including rejecting the resignation on the condition that the underlying cause of the withheld votes be cured. In considering whether to accept the resignation, the Corporate Governance and Nominating Committee will consider all factors deemed relevant by members of the Corporate Governance and Nominating Committee, including, without limitation, the stated reasons why shareholders withheld votes for election from such director, the length of service and qualifications of the director whose resignation has been tendered, the director s contribution to the Company and the Company s Corporate Governance Guidelines.

The Board will act on the Corporate Governance and Nominating Committee s recommendation no later than 90 days following certification of the shareholder vote. In considering the Corporate Governance and Nominating Committee s recommendation, the Board will consider the factors considered by the Corporate Governance and Nominating Committee and such additional information and factors the Board believes to be relevant.

The Company will promptly disclose the Board s decision whether to accept the director s resignation offer (providing a full explanation of the process by which the decision was reached and the reasons for rejecting the resignation offer, if applicable) in a Form 8-K filed with the Securities and Exchange Commission.

To the extent that one or more directors resignations are accepted by the Board, the Corporate Governance and Nominating Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Corporate Governance and Nominating Committee recommendation or Board action regarding whether to accept the resignation offer.

If a majority of the members of the Corporate Governance and Nominating Committee received a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote will appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept or reject them. This Board committee may, but need not, consist of all of the independent directors who did not receive a Majority Withheld Vote or those independent directors who were not standing for election.

This corporate governance guideline will be summarized or included in each proxy statement relating to an election of directors of the Company.

Financial Appendix

Consolidated Balance Sheets as of December 31, 2005 and 2004	F-2
Consolidated Statements of Income for the Years ended December 31, 2005, 2004, and 2003	F-3
Consolidated Statements of Changes in Shareholders Equity for the Years ended December 31, 2005, 2004, and 2003	F-4
Consolidated Statements of Cash Flows for the Years ended December 31, 2005, 2004, and 2003	F-5
Notes to Consolidated Financial Statements	F-6
Report of Independent Registered Public Accounting Firm	F-40
Management s Report on Internal Control Over Financial Reporting	F-41
Report of Independent Registered Public Accounting Firm	F-42
Selected Financial Data	F-43
Financial Review	F-44
Summary of Quarterly Financial Data, Unaudited	F-82

Table of Contents

Consolidated Balance Sheets

(In thousands, except share data)

	December 31,	
	2005	**2004**
ASSETS		
Cash and due from banks, including $49,659 and $36,977 in 2005 and 2004, respectively, on deposit to meet Federal Reserve requirements	$ **880,886**	683,035
Interest earning deposits with banks	**2,980**	4,153
Federal funds sold and securities purchased under resale agreements	**68,922**	135,471
Trading account assets (note 3)	**27,322**	
Mortgage loans held for sale	**143,144**	120,186
Investment securities available for sale (note 4)	**2,958,320**	2,695,593
Loans, net of unearned income (note 5)	**21,392,347**	19,480,396
Allowance for loan losses (note 5)	**(289,612)**	(265,745)
Loans, net	**21,102,735**	19,214,651
Premises and equipment, net	**669,425**	638,407
Contract acquisition costs and computer software, net (note 6)	**431,849**	401,074
Goodwill, net (notes 2 and 18)	**458,382**	416,283
Other intangible assets, net (notes 2 and 7)	**44,867**	41,628
Other assets (notes 7 and 17)	**831,840**	699,697
Total assets	$ **27,620,672**	25,050,178
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing retail and commercial deposits	$ **3,700,750**	3,337,908
Interest bearing retail and commercial deposits (note 8)	**14,798,845**	12,948,523
Total retail and commercial deposits	**18,499,595**	16,286,431
Brokered time deposits (note 8)	**2,284,770**	2,291,037
Total deposits	**20,784,365**	18,577,468
Federal funds purchased and securities sold under repurchase agreements (note 9)	**1,158,669**	1,208,080
Long-term debt (note 9)	**1,933,638**	1,879,583
Other liabilities (note 17)	**597,698**	576,474
Total liabilities	**24,474,370**	22,241,605

Minority interest in consolidated subsidiaries		**196,973**	167,284
Shareholders equity (notes 2, 13, and 15):			
Common stock $1.00 par value. Authorized 600,000,000 shares; issued 318,301,275 in 2005 and 315,636,047 in 2004; outstanding 312,639,737 in 2005 and 309,974,509 in 2004		**318,301**	315,636
Surplus		**686,447**	628,396
Treasury stock 5,661,538 shares		**(113,944)**	(113,944)
Unearned compensation		**(3,126)**	(106)
Accumulated other comprehensive income (loss)		**(29,536)**	8,903
Retained earnings		**2,091,187**	1,802,404
Total shareholders equity		**2,949,329**	2,641,289
Commitments and contingencies (note 12)			
Total liabilities and shareholders equity	**$**	**27,620,672**	25,050,178

See accompanying notes to consolidated financial statements.

F-2

Table of Contents

Consolidated Statements of Income

(In thousands, except per share data)

	Years Ended December 31,		
	2005	**2004**	**2003**
Interest income:			
Loans, including fees	$ **1,375,227**	1,051,117	951,584
Investment securities available for sale:			
U.S. Treasury and U.S. Government agency securities	**53,037**	45,184	50,959
Mortgage-backed securities	**40,287**	38,731	29,345
State and municipal securities	**10,072**	10,786	11,248
Other investments	**5,402**	4,644	3,423
Trading account assets	**642**		
Mortgage loans held for sale	**7,304**	6,581	13,361
Federal funds sold and securities purchased under resale agreements	**4,082**	1,945	1,547
Interest earning deposits with banks	**172**	32	25
Total interest income	**1,496,225**	1,159,020	1,061,492
Interest expense:			
Deposits (note 8)	**407,305**	216,284	217,561
Federal funds purchased and securities sold under repurchase agreements	**31,569**	19,286	11,830
Long-term debt	**88,504**	62,771	69,037
Total interest expense	**527,378**	298,341	298,428
Net interest income	**968,847**	860,679	763,064
Provision for losses on loans (note 5)	**82,532**	75,319	71,777
Net interest income after provision for losses on loans	**886,315**	785,360	691,287
Non-interest income:			
Electronic payment processing services	**867,914**	755,267	701,022
Merchant services	**237,418**	26,169	
Other transaction processing services revenue	**183,412**	170,905	120,485
Service charges on deposit accounts	**112,788**	121,450	107,697
Fiduciary and asset management fees	**44,886**	43,001	39,377
Brokerage and investment banking revenue	**24,487**	21,748	20,461
Mortgage banking income	**28,682**	26,300	58,633
Bankcard fees	**37,638**	30,174	25,751
Securities gains, net (note 4)	**463**	75	2,491

Other fee income		**32,914**	29,227	23,682
Other operating income (note 20)		**35,597**	67,157	44,565
Non-interest income before reimbursable items		**1,606,199**	1,291,473	1,144,164
Reimbursable items		**312,280**	229,538	225,165
Total non-interest income		**1,918,479**	1,521,011	1,369,329
Non-interest expense:				
Salaries and other personnel expense (notes 14 and 15)		**836,371**	731,579	672,248
Net occupancy and equipment expense (note 12)		**368,210**	321,689	281,688
Other operating expenses (note 20)		**426,530**	305,560	243,042
Non-interest expense before reimbursable items		**1,631,111**	1,358,828	1,196,978
Reimbursable items		**312,280**	229,538	225,165
Total non-interest expense		**1,943,391**	1,588,366	1,422,143
Minority interest in subsidiaries net income		**37,381**	28,724	26,972
Income before income taxes		**824,022**	689,281	611,501
Income tax expense (note 17)		**307,576**	252,248	222,576
Net income	**$**	**516,446**	437,033	388,925
Net income per share (notes 1 and 11):				
Basic	**$**	**1.66**	1.42	1.29
Diluted		**1.64**	1.41	1.28
Weighted average shares outstanding (note 11):				
Basic		**311,495**	307,262	302,010
Diluted		**314,815**	310,330	304,928

See accompanying notes to consolidated financial statements.

Table of Contents

Consolidated Statements of Changes in Shareholders Equity

(In thousands, except per share data)

Years ended December 31, 2005, 2004, and 2003	**Shares Issued**	**Common Stock**	**Surplus**	**Treasury Stock**	**Unearned Compensation**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Total**
Balance at December 31, 2002	300,573	$ 300,573	305,718	(1,285)	(146)	46,113	1,389,880	2,040,853
Net income							388,925	388,925
Other comprehensive loss, net of tax (note 10):								
Net unrealized loss on cash flow hedges						(2,773)		(2,773)
Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment						(19,724)		(19,724)
Gain on foreign currency translation						5,893		5,893
Other comprehensive loss						(16,604)		(16,604)
Comprehensive income								372,321
Issuance of common stock for acquisitions (note 2)	4,641	4,641	95,835					100,476

Cash dividends declared - $.66 per share							(199,748)	(199,748)
Amortization of unearned compensation (note 15)					105			105
Stock options exercised (note 15)	2,534	2,534	25,536					28,070
Stock option tax benefit			12,348					12,348
Ownership change at majority-owned subsidiary			3,494					3,494
Treasury stock purchases				(112,655)				(112,655)
Issuance of stock options in connection with acquisition					(225)			(225)
Balance at December 31, 2003	307,748	$ 307,748	442,931	(113,940)	(266)	29,509	1,579,057	2,245,039
Net income							437,033	437,033
Other comprehensive loss, net of tax (note 10):								
Net unrealized loss on cash flow hedges						(5,753)		(5,753)
Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment						(20,577)		(20,577)
Gain on foreign currency translation						5,724		5,724
Other comprehensive loss						(20,606)		(20,606)
Comprehensive income								416,427

Issuance of common stock for acquisitions (note 2)	5,478	5,478	151,700					157,178
Cash dividends declared - $.69 per share							(213,686)	(213,686)
Amortization of unearned compensation (note 15)					160			160
Stock options exercised (note 15)	2,405	2,405	21,060					23,465
Stock option tax benefit			12,705					12,705
Ownership change at majority-owned subsidiary			5					5
Treasury stock purchase				(4)				(4)
Issuance of common stock under commitment to charitable foundation	5	5	(5)					
Balance at December 31, 2004	**315,636**	**$ 315,636**	**628,396**	**(113,944)**	**(106)**	**8,903**	**1,802,404**	**2,641,289**
Net income							**516,446**	**516,446**
Other comprehensive loss, net of tax (note 10):								
Net unrealized loss on cash flow hedges						**(2,240)**		**(2,240)**
Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment						**(28,354)**		**(28,354)**
Loss on foreign currency translation						**(7,845)**		**(7,845)**
Other comprehensive						**(38,439)**		**(38,439)**

loss								
Comprehensive income								**478,007**
Cash dividends declared - $.73 per share							**(227,663)**	**(227,663)**
Issuance of restricted stock (note 15)	**146**	**146**	**3,807**		**(3,953)**			
Amortization of unearned compensation (note 15)					**933**			**933**
Stock options exercised (note 15)	**2,506**	**2,506**	**40,619**					**43,125**
Stock option tax benefit			**9,505**					**9,505**
Ownership change at majority-owned subsidiary			**3,907**					**3,907**
Issuance of common stock for acquisitions (note 2)	**8**	**8**	**218**					**226**
Issuance of common stock under commitment to charitable foundation	**5**	**5**	**(5)**					
Balance at December 31, 2005	**318,301**	**$ 318,301**	**686,447**	**(113,944)**	**(3,126)**	**(29,536)**	**2,091,187**	**2,949,329**

See accompanying notes to consolidated financial statements.

Table of Contents

Consolidated Statements of Cash Flows

(In thousands)

	Years Ended December 31,		
	2005	**2004**	**2003**
Operating Activities			
Net income	$ **516,446**	437,033	388,925
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for losses on loans	**82,532**	75,319	71,777
Depreciation, amortization, and accretion, net	**193,131**	161,062	112,012
Equity in income of joint ventures	**(6,135)**	(23,736)	(17,810)
Deferred income tax (benefit) expense	**(53,575)**	22,401	26,779
(Increase) decrease in interest receivable	**(40,853)**	(16,495)	1,466
Increase (decrease) in interest payable	**23,363**	3,007	(4,783)
Minority interest in subsidiaries net income	**37,381**	28,724	26,972
Increase in trading account assets	**(27,322)**		
(Increase) decrease in mortgage loans held for sale	**(22,958)**	13,291	112,552
Increase in prepaid and other assets	**(80,982)**	(36,700)	(11,606)
Increase (decrease) in accrued salaries and benefits	**37,953**	36,000	(10,813)
(Decrease) increase in other liabilities	**(26,422)**	166,375	(31,280)
(Decrease) increase in billings in excess of costs and profits on uncompleted contracts		(17,573)	17,573
Gain on sale of banking locations		(15,849)	
Impairment of developed software	**3,619**	10,059	
Other, net	**(16,462)**	(46,640)	40,422
Net cash provided by operating activities	**619,716**	796,278	722,186
Investing Activities			
Net cash paid for acquisitions	**(56,995)**	(37,172)	(66,204)
Net decrease in interest earning deposits with banks	**1,173**	70	632
Net decrease (increase) in federal funds sold and securities purchased under resale agreements	**66,549**	34,456	(47,978)
Proceeds from maturities and principal collections of investment securities available for sale	**660,085**	1,351,436	1,429,904
Proceeds from sales of investment securities available for sale	**50,048**	33,332	207,124
Purchases of investment securities available for sale	**(1,019,585)**	(1,491,355)	(1,900,237)
Net cash received on sale of banking locations		25,069	

Net increase in loans	**(1,990,774)**	(2,598,559)	(1,426,471)
Purchases of premises and equipment	**(106,674)**	(111,396)	(184,226)
Proceeds from disposals of premises and equipment	**1,708**	3,061	2,681
Contract acquisition costs	**(19,468)**	(29,150)	(18,129)
Additions to licensed computer software from vendors	**(12,875)**	(57,302)	(47,312)
Additions to internally developed computer software	**(22,602)**	(5,224)	(17,689)
Net cash used in investing activities	**(2,449,410)**	(2,882,734)	(2,067,905)
Financing Activities			
Net increase in demand and savings deposits	**1,354,258**	1,388,914	1,290,526
Net increase in certificates of deposit	**852,639**	803,208	32,029
Net (decrease) increase in federal funds purchased and securities sold under repurchase agreements	**(49,411)**	(192,229)	79,803
Principal repayments on long-term debt	**(617,177)**	(399,690)	(337,160)
Proceeds from issuance of long-term debt	**672,666**	655,727	511,362
Treasury stock purchased		(4)	(112,655)
Dividends paid to shareholders	**(224,303)**	(209,883)	(194,177)
Proceeds from issuance of common stock	**43,125**	23,465	28,070
Net cash provided by financing activities	**2,031,797**	2,069,508	1,297,798
Effect of exchange rate changes on cash and cash equivalent balances held in foreign currencies	**(4,252)**	3,953	2,859
Increase (decrease) in cash and cash equivalents	**197,851**	(12,995)	(45,062)
Cash and due from banks at beginning of year	**683,035**	696,030	741,092
Cash and due from banks at end of year	**$ 880,886**	683,035	696,030

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Business Operations

The consolidated financial statements of Synovus include the accounts of Synovus Financial Corp. (Parent Company) and its consolidated subsidiaries. Synovus provides integrated financial services including banking, financial management, insurance, mortgage, and leasing services through 39 wholly-owned affiliate banks and other Synovus offices in Georgia, Alabama, South Carolina, Florida, and Tennessee. TSYS, an 81% owned subsidiary, provides electronic payment processing and related services to banks and other card-issuing institutions located in the United States, Mexico, Canada, Honduras, Puerto Rico and Europe. TSYS offers merchant processing services to financial institutions and other organizations in the United States and Japan through its subsidiaries, Vital Processing Services L.L.C. (Vital) and GP Network Corporation (GP Net), respectively.

Basis of Presentation

In preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses; the valuation of other real estate; the valuation of long-lived assets, goodwill, and other intangible assets; the determination of transaction processing provisions; and the disclosures for contingent assets and liabilities. In connection with the determination of the allowance for loan losses and the valuation of other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans.

The accounting and reporting policies of Synovus conform to accounting principles generally accepted in the United States of America and to general practices within the banking, electronic payment, and merchant processing industries. All significant intercompany accounts and transactions have been eliminated in consolidation. The following is a description of the more significant of those policies.

Cash Flow Information

For the years ended December 31, 2005, 2004, and 2003, income taxes of $323 million, $191 million, and $235 million, and interest of $501 million, $299 million, and $298 million, respectively, were paid.

Loans receivable of approximately $20 million, $11 million, and $23 million were transferred to other real estate during 2005, 2004, and 2003, respectively.

Federal Funds Sold, Federal Funds Purchased, Securities Purchased Under Resale Agreements, and Securities Sold Under Repurchase Agreements

Federal funds sold, federal funds purchased, securities purchased under resale agreements, and securities sold under repurchase agreements generally mature in one day.

Trading Account Assets

Trading account assets, which include both debt and equity securities, are reported at fair value. Fair value adjustments and fees from trading account activities are included as a component of other fee income. Gains and losses realized from the sale of trading account assets are determined by specific identification and are included as a component of other fee income. Interest income on trading assets is reported as a component of interest income.

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of aggregate cost or fair value and adjusted for changes in fair value when forward sales commitments hedging the loans qualify for hedge accounting. Fair values are based upon quoted prices from secondary market investors. No valuation allowances were required at December 31, 2005 or 2004.

The cost of mortgage loans held for sale is the mortgage note amount less discounts and unearned fees.

Investment Securities Available for Sale

Available for sale securities are recorded at fair value. Fair value is determined at a specific point in time, based on quoted market prices. Unrealized gains and losses on securities available for sale, net of the related tax effect, are excluded from earnings and are reported as a separate component of shareholders equity, within accumulated other comprehensive income (loss), until realized.

A decline in the market value of any available for sale security below cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield using the effective interest method and prepayment assumptions. Dividend and interest income are recognized when

Notes to Consolidated Financial Statements

earned. Realized gains and losses for securities classified as available for sale are included in earnings and are derived using the specific identification method for determining the amortized cost of securities sold.

Gains and losses on sales of investment securities are recognized on the settlement date, based on the amortized cost of the specific security. The financial statement impact of settlement date accounting versus trade date accounting is immaterial.

Loans and Interest Income

Loans are reported at principal amounts outstanding less unearned income, net deferred fees, and the allowance for loan losses.

Interest income on consumer loans, made on a discount basis, is recognized in a manner which approximates the level yield method. Interest income on substantially all other loans is recognized on a level yield basis.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is discontinued when reasonable doubt exists as to the full collection of interest or principal, or when they become contractually in default for 90 days or more as to either interest or principal, unless they are both well-secured and in the process of collection. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest payments received on nonaccrual loans are applied as a reduction of principal. Loans are returned to accruing status when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest. Interest is accrued on impaired loans as long as such loans do not meet the criteria for nonaccrual classification.

Allowance for Loan Losses

The allowance for loan losses is established through the provision for losses on loans charged to operations. Loans are charged against the allowance for loan losses when management believes that the collection of principal is unlikely. Subsequent recoveries are added to the allowance. Management s evaluation of the adequacy of the allowance for loan losses is based on a formal analysis which assesses the risk within the loan portfolio. This analysis includes consideration of historical performance, current economic conditions, level of nonperforming loans, loan concentrations, and review of certain individual loans.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the subsidiary banks allowances for loan losses. Such agencies may require the subsidiary banks to recognize adjustments to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

Management, considering current information and events regarding a borrowers ability to repay its obligations, considers a loan to be impaired when the ultimate collectibility of all amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan s effective interest rate. If the loan is collateral-dependent, the fair value of the collateral less estimated selling costs is used to determine the amount of impairment. Impairment losses are included in the allowance for loan losses through a charge to the provision for losses on loans.

The accounting for impaired loans described above applies to all loans, except for large pools of smaller-balance, homogeneous loans that are collectively evaluated for impairment, and loans that are measured at fair value or at the lower of cost or fair value. The allowance for loan losses for loans not considered impaired and for large pools of smaller-balance, homogeneous loans is established through consideration of such factors as changes in the nature and volume of the portfolio, overall portfolio quality, individual risk ratings, adequacy of the underlying collateral, loan concentrations, historical charge-off trends, and economic conditions that may affect the borrowers ability to pay.

Premises and Equipment

Premises and equipment, including leasehold improvements and purchased internal-use software, are reported at cost, less accumulated depreciation and amortization which are computed using the straight-line method over the estimated useful lives of the related assets.

Contract Acquisition Costs

TSYS capitalizes contract acquisition costs related to signing or renewing long-term contracts. TSYS capitalizes internal conversion costs in accordance with Financial Accounting Standards Board (FASB) Technical Bulletin No. 90-1, Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts. The capitalization of costs

Table of Contents

Notes to Consolidated Financial Statements

related to cash payments for rights to provide processing services is capitalized in accordance with the FASB s Emerging Issues Task Force (EITF) Issue No. 01-9 Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendors Products), and the U.S. Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 104 (SAB No. 104), Revenue Recognition. These costs are amortized using the straight line method over the contract term beginning when the client s cardholder accounts are converted and producing revenues. All costs incurred prior to a signed agreement are expensed as incurred.

The amortization of contract acquisition costs associated with cash payments is recorded as a reduction of revenues in the consolidated statements of income. The amortization of contract acquisition costs associated with conversion activity is recorded as other operating expenses in the consolidated statements of income. TSYS evaluates the carrying value of contract acquisition costs associated with each customer for impairment on the basis of whether these costs are fully recoverable from expected undiscounted net operating cash flows of the related contract. The determination of expected undiscounted net operating cash flows requires management to make estimates.

These costs may become impaired with the loss of a contract, the financial decline of a client, termination of conversion efforts after a contract is signed, diminished prospects for current clients, or if TSYS actual results differ from its estimates of future cash flows.

Computer Software

Licensed Computer Software

TSYS licenses software that is used in providing electronic payment processing, merchant and other services to clients. Licensed software is obtained through perpetual licenses and site licenses, and through agreements based on processing capacity (called MIPS agreements). Perpetual and site licenses are amortized using the straight-line method over their estimated useful lives which range from three to five years. Software licensed under MIPS agreements is amortized using a units-of-production basis over the estimated useful life of the software, generally not to exceed ten years. At each balance sheet date, TSYS evaluates impairment losses on long-lived assets used in operations in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Software Development Costs

In accordance with SFAS No. 86, Computer Software to be Sold, Leased or Otherwise Marketed, software development costs are capitalized once technological feasibility of the software product has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when TSYS has completed a detail program design and has determined that a product can be produced to meet its design specifications, including functions, features, and technical performance requirements. Capitalization of costs ceases when the product is generally available to clients. At each balance sheet date, TSYS evaluates the unamortized capitalized costs of software development as compared to the net realizable value of the software product which is determined by expected undiscounted net operating cash flows. The amount by which the unamortized software development costs exceed the net realizable value is written off in the period that such determination is made. Software development costs are amortized using the greater of (1) the straight-line method over its estimated useful life, which ranges from three to ten years, or (2) the ratio of current revenues to total anticipated revenue over its useful life.

TSYS also develops software that is used internally. These software development costs are capitalized based upon the provisions of SOP No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Internal-use software development costs are capitalized once (1) the preliminary project stage is completed, (2) management authorizes and commits to funding a computer software project, and (3) it is probable that the project will be completed and the software will be used to perform the function intended. Costs incurred prior to meeting these qualifications are expensed as incurred. Capitalization of costs ceases when the project is substantially complete and ready for its intended use. Internal-use software development costs are amortized using an estimated useful life of three to five years.

Software development costs may become impaired in situations where development efforts are abandoned due to the viability of the planned project becoming doubtful or due to technological obsolescence of the planned software product.

Transaction Processing Provisions

TSYS has recorded estimates to accrue for contract contingencies (performance penalties) and processing errors. A significant number of TSYS contracts with large clients contain service level agreements which can result in TSYS incurring performance penalties if contractually required service levels are not met. When providing for these accruals, TSYS takes into consideration such factors as the prior history of performance penalties and processing errors incurred, actual contractual penalties inherent in its contracts, progress

Notes to Consolidated Financial Statements

towards milestones, and known processing errors not covered by insurance.

These accruals are included in other liabilities in the consolidated balance sheets. Increases and decreases in transaction processing provisions are charged to other operating expenses in the consolidated statements of income, and payments or credits for performance penalties and processing errors are charged against the accrual.

Goodwill and Other Intangible Assets

Goodwill and identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. With the exception of goodwill, recoverability of the intangible assets described below is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered impaired, the amount of impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets based on the discounted expected future cash flows to be generated by the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value less costs to sell.

Goodwill, which represents the excess of cost over the fair value of net assets acquired of purchased companies, is tested for impairment at least annually. To test for goodwill impairment, Synovus identifies its reporting units and determines the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. Synovus then compares the carrying value of each unit to its fair value to determine whether impairment exists. No impairment losses have been recorded as a result of Synovus annual goodwill impairment analyses during the years ended December 31, 2005, 2004, and 2003.

Identifiable intangible assets relate primarily to core deposit premiums, resulting from the valuation of core deposit intangibles acquired in business combinations or in the purchase of branch offices, and customer contract premiums resulting from the acquisition of investment advisory and transaction processing businesses. These identifiable intangible assets are amortized using accelerated methods over periods not exceeding the estimated average remaining life of the existing customer deposits or contracts acquired. Amortization periods range from 3 to 15 years. Amortization periods for intangible assets are monitored to determine if events and circumstances require such periods to be reduced.

Other Assets

Other assets include interest receivable on loans, investment securities, and other interest-bearing balances. The accounting for other significant balances included in other assets is described below.

Investments in Company-Owned Life Insurance Programs

Premiums paid for company-owned life insurance programs are recorded at the net realizable value of the underlying insurance contracts. The change in contract value during the period is recorded as an adjustment of premiums paid in determining the expense or income to be recognized under the contract during the period. Income or expense from company-owned life insurance programs is included as a component of other operating income.

Investments in Joint Ventures

TSYS 49% investment in Total System Services de México, S.A. de C.V. (TSYS de México), an electronic payment processing support operation located in Mexico, is accounted for using the equity method of accounting, as is TSYS 34% investment in China UnionPay Data Co., Ltd. (CUP Data), a payment processing company which is headquartered in Shanghai, China. TSYS accounted for Vital using the equity method of accounting through March 1, 2005, when it acquired the 50% equity stake in Vital formerly held by Visa U.S.A. Vital is a merchant processing operation headquartered in Tempe, Arizona.

Other Real Estate

Other real estate, consisting of properties obtained through foreclosure or in satisfaction of loans, is reported at the lower of cost or fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs. At the time of foreclosure, any excess of the loan balance over the fair value of the real estate held as collateral is treated as a charge against the allowance for loan losses. Gains or losses on sale and any subsequent adjustments to the value are recorded as a

component of other operating expenses.

Derivative Instruments

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138 Accounting for Certain Derivative Instruments and Hedging Activities, an Amendment of SFAS No. 133, all derivative instruments are recorded on the balance sheet at their respective fair values.

Notes to Consolidated Financial Statements

The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and if so, on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or foreign currencies. If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of change, together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of accumulated other comprehensive income (outside earnings), and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss, are reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

As part of its overall interest rate risk management activities, Synovus utilizes interest rate related derivatives to manage its exposure to various types of interest rate risks. With the exception of commitments to fund and sell fixed-rate mortgage loans and derivatives utilized to meet the financing and interest rate management needs of its customers, all derivatives utilized by Synovus to manage its interest rate sensitivity are designed as either a hedge of a recognized fixed-rate asset or liability (a fair value hedge), or a hedge of a forecasted transaction or of the variability of future cash flows of a floating rate asset or liability (cash flow hedge). Synovus does not speculate using derivative instruments.

Synovus risk management policies emphasize the management of interest rate risk within acceptable guidelines. Synovus objective in maintaining these policies is to achieve consistent growth in net interest income while limiting volatility arising from changes in interest rates. Risks to be managed include both fair value and cash flow risks. Utilization of derivative financial instruments provides a valuable tool to assist in the management of these risks.

Synovus utilizes interest rate swap agreements to hedge the fair value risk of fixed-rate balance sheet liabilities, primarily deposit liabilities. Fair value risk is measured as the volatility in the value of these liabilities as interest rates change. Interest rate swaps entered into to manage this risk are designed to have the same notional value, as well as similar interest rates and interest calculation methods. These agreements entitle Synovus to receive fixed-rate interest payments and pay floating-rate interest payments based on the notional amount of the swap agreements. Swap agreements structured in this manner allow Synovus to effectively hedge the fair value risks of these fixed-rate liabilities.

Synovus is potentially exposed to cash flow risk due to its holding of loans whose interest payments are based on floating rate indices. Synovus monitors changes in these exposures and their impact on its risk management activities and uses interest rate swap agreements to hedge the cash flow risk. These agreements, whose terms are for up to five years, entitle Synovus to receive fixed-rate interest payments and pay floating-rate interest payments. The maturity date of the agreement with the longest remaining term to maturity is May 3, 2009. These agreements allow Synovus to offset the variability of floating rate loan interest with the variable interest payments due on the interest rate swaps.

Synovus entered into certain forward starting swap contracts to hedge the cash flow risk of future interest payments on a forecasted debt issuance. Upon the determination to issue debt, Synovus was potentially exposed to cash flow risk due to changes in market interest rates prior to the placement of the debt. The forward starting swaps allowed Synovus to hedge this exposure. Upon placement of the debt, these swaps were cash settled concurrent with the pricing of the debt. The effective portion of the cash flow hedge previously included in accumulated other comprehensive income is being amortized over the life of the debt issue as an adjustment to interest expense.

By using derivatives to hedge fair value and cash flow risks, Synovus exposes itself to potential credit risk. This potential credit risk is equal to the fair or replacement values of the swaps if the counterparty fails to perform on its obligations under the swap agreements. This credit risk is normally a very small percentage of the notional amount and fluctuates as interest rates change. Synovus minimizes this risk by subjecting the transaction to the same approval process as other credit activities, by dealing with highly rated counterparties, and by obtaining collateral agreements

for exposures above predetermined limits.

Synovus also holds derivative instruments which consist of commitments to fund fixed-rate mortgage loans to customers (interest rate lock commitments) and forward commitments to sell mortgage-backed securities and individual fixed-rate mortgage loans. Synovus objective in obtaining the forward commitments is to mitigate the interest rate risk associated with the commitments to fund the fixed-rate mortgage loans and the mortgage loans that are held for sale. Both the interest rate lock commitments and the forward commitments are reported at fair value, with adjustments being recorded in current period earnings. Certain forward sales

Notes to Consolidated Financial Statements

commitments are accounted for as hedges of mortgage loans held for sale.

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 to minimize the risk to Synovus. These derivative financial instruments are reported at fair value with any resulting gain or loss recorded in current period earnings.

Non-Interest Income

Electronic Payment Processing Services

TSYS electronic payment processing services revenues are derived from long-term processing contracts with financial and non-financial institutions and are recognized as the services are performed. Electronic payment processing services 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. Most of these contracts have prescribed annual revenue minimums. The original terms of processing contracts generally range from three to ten years in length and provide for penalties for early termination.

TSYS recognizes revenues in accordance with SAB No. 104. SAB No. 104 sets forth guidance as to when revenue is realized or realizable and earned when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been performed; (3) the seller s price to the buyer is fixed or determinable; and (4) collectibility is reasonably assured.

TSYS evaluates its contractual arrangements that provide services to clients through a bundled sales arrangement in accordance with the FASB s EITF Issue No. 00-21 (EITF 00-21), Revenue Arrangements with Multiple Deliverables. EITF 00-21 addresses the determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting.

A deliverable in multiple element arrangements indicates any performance obligation on the part of the seller and includes any combination of obligations to perform different services, grant licenses or other rights. Revenue is allocated to the separate units of accounting in a multiple element arrangement based on relative fair values, provided the delivered element has standalone value to the customer, the fair value of any undelivered items can be readily determined, and delivery of any undelivered items is probable and substantially within TSYS control. Evidence of fair value must be objective and reliable. An item has value to the customer on a standalone basis if it is sold separately by any vendor or the customer could resell the deliverable on a standalone basis.

TSYS recognizes software license revenue in accordance with SOP 97-2, Software Revenue Recognition, and SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions. For software licenses for which any services rendered are not considered essential to the functionality of the software, revenue is recognized upon delivery of the software, provided (1) there is evidence of an arrangement, (2) collection of the fee is considered probable, (3) the fee is fixed or determinable, and (4) vendor specific objective evidence (VSOE) exists to allocate revenue to the undelivered elements of the arrangement.

When services are considered essential to the functionality of the software licensed, revenues are recognized over the period that such services will be performed using the percentage-of-completion method in accordance with SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Progress during the period in which services are performed is measured by the percentage of costs incurred to date to estimated total costs for each arrangement as this is the best measure of progress. Provisions for estimated losses on incomplete contracts are made in the period in which such losses are determined. For license arrangements in which the fee is not considered fixed or determinable, the license revenue is recognized as payments become due.

Merchant Services

TSYS merchant services revenues are derived from long-term processing contracts with large financial institutions and other merchant acquirers which generally range from three to eight years and provide for penalties for early

termination. Merchant services revenues are generated primarily from processing all payment forms including credit, debit, electronic benefits transfer and check truncation for merchants of all sizes across a wide array of retail market segments. The products and services offered include authorization and capture of electronic transactions, clearing and settlement of electronic transactions, information reporting services related to electronic transactions, merchant billing services, and point-of-sale terminal sales and services. TSYS recognizes merchant services revenue as those services are performed, primarily on a per unit basis. Revenues on point-of-sale terminal equipment are recognized upon the transfer of ownership and shipment of product.

Notes to Consolidated Financial Statements

Other Transaction Processing Services Revenue

TSYS other service revenues are derived from recovery collections work, bankruptcy process management, legal account management, skip tracing, commercial printing activities, targeted loyalty programs, and customer relationship management services, such as call center activities for card activation, balance transfer requests, customer service and collection. The contract terms for these services are generally shorter in nature as compared with TSYS long-term processing contracts. Revenue is recognized on these other services as the services are performed either on a per unit or a fixed price basis.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of non-sufficient funds fees, account analysis fees, and other service charges on deposits which consist primarily of monthly account fees. Non-sufficient funds fees are recognized at the time when the account overdraft occurs. Account analysis fees consist of fees charged to certain commercial demand deposit accounts based upon account activity (and reduced by a credit which is based upon cash levels in the account). These fees, as well as monthly account fees, are recorded under the accrual method of accounting.

Fiduciary and Asset Management Fees

Fiduciary and asset management fees are generally determined based upon market values of assets under management as of a specified date during the period. These fees are recorded under the accrual method of accounting.

Brokerage and Investment Banking Revenue

Brokerage revenue consists primarily of commission income, which represents the spread between buy and sell transactions processed, and net fees charged to customers on a transaction basis for buy and sell transactions processed. Commission income is recorded on a settlement-date basis, which does not differ materially from trade-date basis. Brokerage revenue also includes portfolio management fees which represent monthly fees charged on a contractual basis to customers for the management of their investment portfolios and are recorded under the accrual method of accounting.

Investment banking revenue represents fees for services arising from securities offerings or placements in which Synovus acts as the agent. It also includes fees earned from providing advisory services. Revenue is recognized at the time the underwriting is completed and the revenue is reasonably determinable.

Mortgage Banking Income

Mortgage banking income consists primarily of gains and losses from the sale of mortgage loans. Gains (losses) on the sale of mortgage loans are determined and recognized at the time the sale proceeds are received and represent the difference between net sales proceeds and the carrying value of the loans at the time of sale adjusted for recourse obligations, if any, retained by Synovus.

Bankcard Fees

Bankcard fees consist primarily of interchange and merchant fees earned, net of fees paid, on debit card and credit card transactions. Net fees are recognized into income as they are collected.

Reimbursable Items

Reimbursable items consist of out-of-pocket expenses which are reimbursed by TSYS customers. Postage is the primary component of these expenses. TSYS accounts for reimbursable items in accordance with the FASB s EITF No. 01-14 Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred.

Foreign Currency Translation

TSYS maintains several different foreign operations whose functional currency is their local currency. The foreign currency-based financial statements of these subsidiaries and branches are translated into U.S. dollars at current exchange rates, except for revenues, costs and expenses, and net income which are translated at the average exchange rates for each reporting period. Net gains or losses resulting from the currency translation of assets and liabilities of TSYS foreign operations, net of tax, are accumulated as a component of accumulated other comprehensive income (loss).

Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period in which exchange rates change.

Income Taxes

Synovus uses the asset and liability method to account for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax

Table of Contents

Notes to Consolidated Financial Statements

rates is recognized in income in the period that includes the enactment date. Synovus files a consolidated federal income tax return with its wholly-owned and majority-owned subsidiaries.

Stock-Based Compensation

Synovus accounts for its fixed stock-based compensation in accordance with the provisions set forth in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. In accordance with APB Opinion No. 25, compensation expense is recorded on the grant date only to the extent that the current market price of the underlying stock exceeds the exercise price on the grant date.

SFAS No. 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value based method of accounting for stock-based compensation plans. As allowed by SFAS No. 123, Synovus has elected to apply the accounting method prescribed under APB Opinion No. 25, and has adopted the disclosure requirements of SFAS No. 123, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure.

Had Synovus determined compensation expense based on the fair value at the grant date for its stock options granted during the years 1999 through 2005 under SFAS No. 123, net income would have been reduced to the pro forma amounts indicated in the following table.

(In thousands, except per share data)	Years Ended December 31,		
	2005	**2004**	**2003**
Net income as reported	$ **516,446**	437,033	388,925
Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	**(14,050)**	(13,344)	(13,856)
Pro forma	$ **502,396**	423,689	375,069
Earnings per share:			
Basic-as reported	$ **1.66**	1.42	1.29
Basic-pro forma	**1.61**	1.38	1.24
Diluted-as reported	**1.64**	1.41	1.28
Diluted-pro forma	**1.60**	1.36	1.23

The per share weighted average fair value of stock options granted during 2005, 2004 and 2003 was $7.06, $7.36, and $4.93, respectively. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model, with the following weighted average assumptions for 2005, 2004, and 2003, respectively: risk-free interest rates of 4.1%, 4.5%, and 3.2%; expected volatility of 21%, 29%, and 34%; expected life of 8.5 years, 6.5 years, and 6.0 years; and dividend yield of 2.4%, 2.6%, and 3.3%.

Postretirement Benefits

Synovus sponsors a defined benefit health care plan for substantially all of its employees and early retirees. The expected costs of retiree health care and other postretirement benefits are being expensed over the period that employees provide service.

Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time, based on relevant market information and other information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale, at one time, the entire holdings of a particular financial instrument. Because no market exists for a portion of the financial instruments, fair value estimates are also based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing balance sheet financial instruments, without attempting to estimate the value of anticipated future business, and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include deferred income taxes, premises and equipment, capitalized contract acquisition costs, computer software, investments in joint ventures, goodwill and other intangible assets. In addition, the income tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Recently Issued Accounting Standards

On November 13, 2003, the EITF reached a consensus on EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. This guidance was to be applied in other-than-temporary impairment evaluations performed in reporting periods beginning after June 15, 2004. Disclosures were effective in annual financial statements for fiscal years ended after December 15, 2003, for investments accounted for under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, and SFAS No. 124, Accounting for Certain Investments Held by

Notes to Consolidated Financial Statements

Not-for-Profit Organizations. In 2005, the FASB issued FASB Staff Position (FSP) No. 115-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, which nullifies certain provisions of EITF Issue No. 03-1, while retaining the disclosure requirements that have previously been adopted by Synovus. The adoption of FSP No. 115-1 did not have a material impact on Synovus financial statements.

In December 2003, the Accounting Standards Executive Committee issued SOP No. 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer. SOP No. 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor s initial investment in loans or debt securities (loans) acquired in a transfer or business combination if those differences are attributable, at least in part, to credit quality. SOP No. 03-3 is effective for loans acquired in years beginning after December 15, 2004. Synovus has not determined the impact that SOP No. 03-3 will have on its financial statements and believes that such determination will not be meaningful until Synovus completes a business combination with a financial institution and/or acquires a future loan portfolio.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment. SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award.

SFAS No. 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. Compensation cost will be recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 for either recognition or pro forma disclosures.

On March 29, 2005, the SEC issued SAB No. 107 (SAB 107), Share-Based Payment . SAB 107 expresses the views of the SEC staff regarding the interaction between SFAS No. 123R and certain SEC rules and regulations, provides the staff s views regarding the valuation of share-based payments by public companies, and provides guidance regarding share-based payments with non-employees.

On April 14, 2005, the SEC amended Rule 4-01(a) of Regulation S-X that amended the compliance date for SFAS No. 123R. The SEC s new rule allows companies to implement SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period that begins after June 15, 2005. Synovus adopted SFAS No. 123R effective January 1, 2006.

Synovus estimates that the adoption of SFAS No. 123R, including the effect of stock options to be granted in 2006, will result in an additional expense in 2006 of approximately $14.0 million, net of tax, relating to the expensing of stock options. Additionally, Synovus will incur an incremental (as compared to 2005) after-tax expense of approximately $3.0 million in 2006, for restricted stock awards, including the effect of restricted stock awards to be granted in 2006. While stock options have been the primary method of equity-based compensation historically, going forward, restricted stock awards are expected to be Synovus primary method of equity-based compensation.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle by requiring retrospective application to prior periods financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of this statement are effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Synovus does not expect the impact of SFAS No. 154 on its financial position, results of operations or cash flows to be material.

In June 2005, the EITF reached a consensus on EITF Issue No. 05-6 (EITF 05-6), Determining the Amortization Period for Leasehold Improvements. This guidance provides that leasehold improvements acquired in a business combination and those acquired after the inception of a lease should be amortized over the shorter of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of acquisition of the leasehold improvements. The guidance is effective for periods beginning after June 29, 2005. Synovus has not determined the impact that EITF 05-6

Table of Contents

Notes to Consolidated Financial Statements

will have on its financial statements and believes that such determination will not be meaningful until Synovus completes a business combination that includes leasehold improvements.

Reclassifications

Certain amounts in 2004 and 2003 have been reclassified to conform with the presentation adopted in 2005.

Note 2 Business Combinations

On March 1, 2005, TSYS completed the acquisition of Vital by purchasing the 50% equity stake formerly held by Visa U.S.A. for $95.8 million, including $794,000 of direct acquisition costs. TSYS recorded the acquisition of the 50% interest as a purchase business combination, requiring that TSYS allocate the purchase price to the assets acquired and liabilities assumed based on their relative fair values. TSYS is in the process of finalizing the purchase price allocation and has preliminarily allocated $36.7 million to goodwill, $12.0 million to intangible assets and the remaining amount to the assets and liabilities acquired. Vital s results of operations have been included in the consolidated financial results beginning March 1, 2005.

The preliminary purchase price allocation is presented below.

Vital Processing Services, L.L.C.
(In thousands)

Cash and cash equivalents	$	19,399
Contract acquisition costs and computer software, net		31,373
Intangible assets		12,000
Goodwill		36,686
Other assets		29,221
Total assets acquired		128,679
Total liabilities assumed		32,836
Minority interest		49
Net assets acquired	$	95,794

The purchase of the remaining 50% interest in Vital provides TSYS greater synergies for its clients that service merchants who accept cards as payments and issue credit to their customers.

Effective October 1, 2005, TSYS acquired the remaining 49% interest in Merlin Solutions, L.L.C., a subsidiary of Vital, for approximately $2.0 million. TSYS has recorded the acquisition of the incremental 49% interest as a business combination requiring TSYS to allocate the purchase price to the assets acquired and liabilities assumed based on their relative fair values. TSYS has preliminarily allocated $1.9 million to goodwill related to this acquisition.

Effective November 1, 2005, TSYS purchased an initial 34% equity interest in CUP Data, the payments-processing subsidiary of China UnionPay Co., Ltd. (CUP). TSYS plans to increase its ownership interest to 45% upon receipt of regulatory approval, which is expected to occur in 2006. CUP is sanctioned by the People s Bank of China, China s central bank, and has become one of the world s largest and fastest-growing payments networks. CUP Data currently provides transaction processing, disaster recovery and other services for banks and bankcard issuers in China. In its first two years of business, CUP Data has signed numerous processing agreements for several of China s largest financial institutions.

TSYS accounts for its investment in CUP Data under the equity method of accounting. TSYS is in the process of finalizing the purchase price allocation and has preliminarily allocated $29.0 million to goodwill and $7.9 million to

net assets acquired. The goodwill associated with CUP Data is not reported as goodwill in the consolidated balance sheet, but it is reported as a component of the equity investment.

On January 30, 2004, Synovus acquired all the issued and outstanding common shares of Peoples Florida Banking Corporation (Peoples Bank), the parent company of Peoples Bank, headquartered in Palm Harbor, Florida. The aggregate purchase price was $78.4 million, consisting of 1,636,827 shares of Synovus common stock valued at $43.7 million, $32.1 million in cash, stock options valued at $2.6 million and $37 thousand in direct acquisition costs, consisting primarily of external accounting fees. On July 25, 2005, Peoples Bank was merged into Synovus Bank of Tampa Bay.

On June 1, 2004, Synovus acquired all the issued and outstanding common shares of Trust One Bank (Trust One) in Memphis, Tennessee. Trust One has six branches serving east Shelby County, Tennessee, which includes Germantown, Cordova, Collierville and east Memphis. The aggregate purchase price was $111.0 million, consisting of 3,841,302 shares of Synovus common stock valued at $107.7 million, approximately $3,000 in cash, stock options valued at $3.2 million and $126 thousand in direct acquisition costs, consisting primarily of external legal fees and accounting fees.

On August 2, 2004, TSYS completed the acquisition of Clarity Payment Solutions, Inc. (Clarity). The aggregate purchase price was $53.0 million in cash and $515 thousand in direct acquisition costs. Clarity was renamed TSYS Prepaid, Inc. (TSYS Prepaid). During 2005, TSYS finalized the purchase price allocation and allocated $39.6 million to goodwill, $8.5 million to computer software, $2.4 million to other

Notes to Consolidated Financial Statements

intangibles and the remaining amount to the other assets and liabilities acquired.

On February 27, 2003, Synovus acquired all the issued and outstanding common shares of FNB Newton Bankshares, Inc., the parent company of First Nation Bank, headquartered in Covington, Georgia. The aggregate purchase price was $96.0 million, consisting of 2,253,627 shares of Synovus common stock valued at $46.4 million, $46.4 million in cash, stock options valued at $3.2 million, and $35 thousand in direct acquisition costs, primarily consisting of external legal and accounting fees.

On February 28, 2003, Synovus acquired all the issued and outstanding common shares of United Financial Holdings, Inc., the parent company of United Bank and Trust Company, in St. Petersburg, Florida and United Bank of the Gulf Coast, in Sarasota, Florida (collectively, United Bank). The aggregate purchase price was $85.3 million, consisting of 2,388,087 shares of Synovus common stock valued at $47.6 million, $34.0 million in cash, stock options valued at $3.5 million, and $215 thousand in direct acquisition costs, primarily consisting of external legal and accounting fees. On July 25, 2005, United Bank was merged into Synovus Bank of Tampa Bay.

On April 28, 2003, TSYS completed the acquisition of Enhancement Services Corporation (ESC) for $36.0 million in cash. TSYS allocated approximately $26.0 million to goodwill, approximately $8.2 million to intangibles and the remaining amount to the net assets acquired. ESC provides targeted loyalty consulting, as well as travel, gift card and merchandise reward programs to more than 40 national and regional financial institutions in the United States.

On May 31, 2002, Synovus acquired all the issued and outstanding common shares of GLOBALT, Inc. (GLOBALT). GLOBALT is a provider of investment advisory services based in Atlanta, Georgia, offering a full line of distinct large cap and mid cap growth equity strategies and products. GLOBALT s assets under management at June 1, 2002 were approximately $1.3 billion. GLOBALT now operates as a wholly-owned subsidiary of Synovus and as a part of the Synovus Financial Management Services unit. The aggregate purchase price was $20.0 million, consisting of 702,433 shares of Synovus common stock valued at $19.0 million, $0.9 million for forgiveness of debt, and $100 thousand in direct acquisition costs, consisting primarily of external legal and accounting fees. The terms of the merger agreement provide 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 (EBITDA) for each of the years ending December 31, 2004, 2005, and 2006. The contingent consideration is payable by February 15th of the year subsequent to the calendar year for which the EBITDA calculation is made. The fair value of the contingent consideration is recorded as an addition to goodwill. On February 15, 2005, Synovus recorded additional consideration of $226 thousand, which was based on 4% of a multiple of GLOBALT s EBITDA for the year ended December 31, 2004. On February 15, 2006, Synovus recorded additional consideration of $585 thousand, which was based on 7% of a multiple of GLOBALT s EBITDA for the year ended December 31, 2005. The contingent consideration for the year ending December 31, 2006 will be based on 14% of a multiple of GLOBALT s EBITDA for 2006.

On September 6, 2005, Synovus announced the signing of a definitive agreement to acquire the $650 million asset Riverside Bancshares, Inc. (Riverside), the parent company of Riverside Bank in Marietta, Georgia, in a tax-free exchange of common stock. Riverside Bank has five branches serving north metro Atlanta, Georgia. The merger is subject to approval by the shareholders of Riverside and is expected to close during the first quarter of 2006.

On October 31, 2005, Synovus announced the signing of a definitive agreement to acquire the $342 million asset Banking Corporation of Florida (First Florida), the parent company of First Florida Bank in Naples, Florida, in a tax-free exchange of common stock. First Florida Bank has two branches in Naples, Florida, one in Winter Park part of the Orlando/central Florida community and a loan production branch in Fort Myers, Florida. The merger, which is subject to approval by the shareholders of First Florida, is expected to close after the close of business on March 31, 2006.

Note 3 Trading Account Assets

The following table summarizes trading account assets at December 31, 2005. There were no trading account assets at December 31, 2004.

(In thousands)		
U.S. Treasury and U.S. Government agency securities	$	117
Mortgage-backed securities		25,403
State and municipal securities		1,401
Other investments		401
Total	$	27,322

F-16

Table of Contents

Notes to Consolidated Financial Statements

Note 4 Investment Securities Available for Sale

The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities available for sale at December 31, 2005 and 2004 are summarized as follows:

	December 31, 2005			
(In thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
U.S. Treasury and U.S. Government agency securities	**$ 1,651,240**	**806**	**(27,434)**	**1,624,612**
Mortgage-backed securities	**1,032,485**	**1,379**	**(27,136)**	**1,006,728**
State and municipal securities	**206,744**	**6,151**	**(524)**	**212,371**
Equity securities	**112,350**	**493**	**(37)**	**112,806**
Other investments	**1,827**		**(24)**	**1,803**
Total	**$ 3,004,646**	**8,829**	**(55,155)**	**2,958,320**

	December 31, 2004			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
U.S. Treasury and U.S. Government agency securities	$ 1,312,599	2,911	(10,039)	1,305,471
Mortgage-backed securities	1,031,599	5,249	(10,124)	1,026,724
State and municipal securities	226,982	11,170	(320)	237,832
Equity securities	119,823	1,014		120,837
Other investments	4,814	28	(113)	4,729
Total	$ 2,695,817	20,372	(20,596)	2,695,593

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2005 and 2004, were as follows:

December 31, 2005

(In thousands)	**Less than 12 Months** Fair Value	Unrealized Losses	**12 Months or Longer** Fair Value	Unrealized Losses	**Total** Fair Value	Unrealized Losses
U.S. Treasury and U.S. Government agency securities	**$ 576,406**	**(8,198)**	**875,243**	**(19,236)**	**1,451,649**	**(27,434)**
Mortgage-backed securities	**386,242**	**(6,557)**	**509,521**	**(20,579)**	**895,763**	**(27,136)**
State and municipal securities	**24,506**	**(253)**	**5,157**	**(271)**	**29,663**	**(524)**
Equity securities	**249**	**(37)**			**249**	**(37)**
Other investments	**1,264**	**(24)**			**1,264**	**(24)**
Total	**$ 988,667**	**(15,069)**	**1,389,921**	**(40,086)**	**2,378,588**	**(55,155)**

Table of Contents

Notes to Consolidated Financial Statements

	December 31, 2004					
	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and U.S. Government agency securities	$ 948,246	(9,062)	36,023	(977)	984,269	(10,039)
Mortgage-backed securities	579,017	(7,870)	92,068	(2,254)	671,085	(10,124)
State and municipal securities	15,524	(316)	690	(4)	16,214	(320)
Equity securities						
Other investments	1,557	(12)	507	(101)	2,064	(113)
Total	$ 1,544,344	(17,260)	129,288	(3,336)	1,673,632	(20,596)

U.S. Treasury and U.S. Government agency securities. The unrealized losses in this category consist primarily of unrealized losses in direct obligations of U.S. Government agencies and were caused by interest rate increases. Because Synovus has the ability and intent to hold these investments until a recovery of fair value, which may be at maturity, Synovus does not consider these investments to be other-than-temporarily impaired at December 31, 2005 or December 31, 2004.

Mortgage-backed securities. The unrealized losses on Synovus investment in U.S. government agency mortgage-backed securities were caused by interest rate increases. The contractual cash flows of the securities are guaranteed by an agency of the U.S. government. Because the decline in market value is attributable to changes in interest rates and not credit quality and because Synovus has the ability and intent to hold these investments until a recovery of fair value, which may be at maturity, Synovus does not consider these investments to be other-than-temporarily impaired at December 31, 2005 or December 31, 2004.

Notes to Consolidated Financial Statements

The amortized cost and estimated fair value by contractual maturity of investment securities available for sale at December 31, 2005 are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)		Amortized Cost	Estimated Fair Value
U.S. Treasury and U.S. Government agency securities:			
Within 1 year	$	298,657	295,922
1 to 5 years		1,185,184	1,164,529
5 to 10 years		142,726	139,969
More than 10 years		24,673	24,192
	$	1,651,240	1,624,612
State and municipal securities:			
Within 1 year	$	19,632	19,722
1 to 5 years		81,886	83,639
5 to 10 years		76,093	79,172
More than 10 years		29,133	29,838
	$	206,744	212,371
Other investments:			
Within 1 year	$	271	264
1 to 5 years		1,367	1,350
5 to 10 years			
More than 10 years		189	189
	$	1,827	1,803
Equity securities	$	112,350	112,806
Mortgage-backed securities	$	1,032,485	1,006,728
Total investment securities:			
Within 1 year	$	318,560	315,908
1 to 5 years		1,268,437	1,249,518
5 to 10 years		218,819	219,141
More than 10 years		53,995	54,219
Equity securities		112,350	112,806
Mortgage-backed securities		1,032,485	1,006,728
	$	3,004,646	2,958,320

A summary of sales transactions in the investment securities available for sale portfolio for 2005, 2004, and 2003 is as follows:

(In thousands)	Proceeds	Gross Realized Gains	Gross Realized Losses
2005	**$ 50,048**	**744**	**(281)**
2004	$ 33,332	620	(545)
2003	$ 207,124	2,960	(469)

At December 31, 2005 and 2004, investment securities with a carrying value of $2.4 billion and $2.1 billion, respectively, were pledged to secure certain deposits, securities sold under agreements to repurchase, and Federal Home Loan Bank advances, as required by law and contractual agreements.

Note 5 Loans

Loans outstanding, by classification, are summarized as follows:

(In thousands)	December 31,	
	2005	**2004**
Commercial:		
Commercial, financial, and agricultural	**$ 5,231,150**	5,064,828
Real estate-construction	**6,394,161**	5,173,275
Real estate-mortgage	**6,465,915**	6,116,308
Total commercial	**18,091,226**	16,354,411
Retail:		
Real estate-mortgage	**2,559,339**	2,298,682
Consumer loans-credit card	**268,348**	256,297
Consumer loans-other	**521,521**	612,957
Total retail	**3,349,208**	3,167,936
Total loans	**21,440,434**	19,522,347
Unearned income	**(48,087)**	(41,951)
Total loans, net of unearned income	**$ 21,392,347**	19,480,396

Activity in the allowance for loan losses is summarized as follows:

(In thousands)	Years Ended December 31,		
	2005	**2004**	**2003**
Balance at beginning of year	**$ 265,745**	226,059	199,841
Allowance for loan losses of acquired/ divested subsidiaries		5,615	10,534
Provision for losses on loans	**82,532**	75,319	71,777
Recoveries of loans previously charged off	**8,561**	9,720	8,112
Loans charged off	**(67,226)**	(50,968)	(64,205)
Balance at end of year	**$ 289,612**	265,745	226,059

At December 31, 2005, the recorded investment in loans that were considered to be impaired was $95.3 million. Included in this amount is $58.9 million of impaired loans for

Notes to Consolidated Financial Statements

which the related allowance is $22.9 million, and $36.4 million of impaired loans for which there is no related allowance determined in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan. At December 31, 2005, impaired loans in the amount of $52 million were on nonaccrual status.

At December 31, 2004, the recorded investment in loans that were considered to be impaired was $99.2 million. Included in this amount was $58.9 million of impaired loans for which the related allowance was $22.3 million, and $40.3 million of impaired loans for which there was no related allowance determined in accordance with SFAS No. 114. At December 31, 2004, impaired loans in the amount of $53 million were on nonaccrual status.

The allowance for loan losses on impaired loans was primarily determined using the fair value of the loans collateral, less estimated selling costs. The average recorded investment in impaired loans was approximately $90.9 million, $107.0 million, and $96.6 million for the years ended December 31, 2005, 2004, and 2003, respectively, and the related amount of interest income recognized during the period that such loans were impaired was approximately $3.6 million, $2.9 million, and $5.4 million for the years ended December 31, 2005, 2004, and 2003, respectively.

Loans on nonaccrual status amount to $80.0 million, $80.2 million, and $67.2 million, at December 31, 2005, 2004, and 2003, respectively. If nonaccrual loans had been on a full accruing basis, interest income on these loans would have been increased by approximately $2.5 million, $2.7 million, and $2.7 million for the years ended December 31, 2005, 2004, and 2003, respectively.

A substantial portion of the loans is secured by real estate in markets in which affiliate banks are located throughout Georgia, Alabama, Tennessee, South Carolina, and Florida. Accordingly, the ultimate collectibility of a substantial portion of the loan portfolio, and the recovery of a substantial portion of the carrying amount of real estate owned, are susceptible to changes in market conditions in these areas.

In the ordinary course of business, Synovus affiliate banks have made loans to certain executive officers and directors (including their associates) of the Parent Company and its significant subsidiaries, as defined. Significant subsidiaries consist of Columbus Bank and Trust Company, Bank of North Georgia, and The National Bank of South Carolina. Management believes that such loans are made substantially on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with unaffiliated customers. The following is a summary of such loans outstanding and the activity in these loans for the year ended December 31, 2005.

(In thousands)		
Balance at December 31, 2004	$	256,711
Adjustment for executive officer and director changes		1,876
Adjusted balance at December 31, 2004		258,587
New loans		192,822
Repayments		(158,698)
Balance at December 31, 2005	$	292,711

Note 6 Contract Acquisition Costs and Computer Software

Capitalized contract acquisition costs, consisting of conversion costs and payments for processing rights at TSYS, net of accumulated amortization, were $163.9 million and $132.4 million at December 31, 2005 and 2004, respectively. Amortization expense related to contract acquisition costs was $37.8 million, $24.9 million, and $20.8 million, for the years ended December 31, 2005, 2004, and 2003, respectively. Aggregate estimated

amortization expense of contract acquisition costs for the next five years is as follows:

(In thousands)	**Contract Acquisition Costs**
2006	$ 41,688
2007	28,254
2008	24,669
2009	23,095
2010	15,429

The weighted average estimated useful lives of conversion costs is as follows:

	Weighted Average Amortization Period (Yrs)
Payments for processing rights	11.6
Conversion costs	6.9
Combined	8.1

Table of Contents

Notes to Consolidated Financial Statements

The following table summarizes TSYS computer software at December 31, 2005 and 2004:

(In thousands)	2005	2004
Licensed computer software	**$ 395,992**	383,371
Software development costs	**158,384**	126,000
Acquisition technology intangibles	**30,700**	12,200
	585,076	521,571
Less accumulated amortization	**(317,088)**	(252,924)
Computer software, net	**$ 267,988**	268,647

Amortization expense related to licensed and capitalized software development costs at TSYS was $65.5 million, $50.6 million, and $53.2 million for the years ended December 31, 2005, 2004, and 2003, respectively. Aggregate estimated amortization expense of computer software over the next five years is as follows:

(In thousands)	**Computer Software**
2006	$ 59,641
2007	55,480
2008	48,999
2009	39,331
2010	15,032

The weighted average estimated useful lives of licensed computer software is as follows:

	Weighted Average Amortization Period (Yrs)
Licensed computer software	7.0
Software development costs	6.7
Acquisition technology intangibles	7.4
Combined	7.0

TSYS was developing its Integrated Payments Platform supporting the on-line and off-line debit and stored value markets, which would have given clients access to all national and regional networks, EBT programs, ATM driving and switching services for online debit processing. Through 2004, TSYS invested a total of $6.3 million. In March 2005, TSYS evaluated its debit solution and decided to modify its approach in the debit processing market. With the acquisition of Vital and debit alternatives now available, TSYS determined that it would no longer market this third-party software product as its on-line debit solution. TSYS will continue to support this product for existing clients and will enhance and develop a new solution. As a result, TSYS recognized impairment charges on developed software of $3.6 million in net occupancy and equipment expense during 2005.

During 2004, TSYS changed its approach for entry into the Asia-Pacific market. As a result, TSYS recognized a $10.1 million charge to net occupancy and equipment expense for the write-off of the double-byte software development project.

Table of Contents

Notes to Consolidated Financial Statements

Note 7 Other Intangible Assets and Other Assets

Other intangible assets (excluding goodwill) as of December 31, 2005 and 2004 are presented in the following table:

(In thousands)	**2005**			**2004**		
	Gross Carrying Amount	**Accumulated Amortization**	**Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Other intangible assets:						
Purchased trust revenues	**$ 4,210**	**(1,286)**	**2,924**	$ 4,210	(1,006)	3,204
Acquired customer contracts	**7,731**	**(3,818)**	**3,913**	7,731	(2,536)	5,195
Employment contracts/non-competition agreements	**1,091**	**(631)**	**460**	1,091	(308)	783
Core deposit premiums	**39,674**	**(16,124)**	**23,550**	50,031	(21,915)	28,116
Intangibles associated with the acquisition of minority interest in TSYS	**2,846**	**(759)**	**2,087**	2,846	(474)	2,372
Customer relationships	**13,800**	**(2,100)**	**11,700**	1,800	(250)	1,550
Other	**700**	**(467)**	**233**	700	(292)	408
Total carrying value	**$ 70,052**	**(25,185)**	**44,867**	$ 68,409	(26,781)	41,628

Aggregate other intangible assets amortization expense (excluding goodwill) for the years ended December 31, 2005, 2004, and 2003 was $8.8 million, $8.7 million, and $6.2 million, respectively. Aggregate estimated amortization expense over the next five years is: $8.1 million in 2006, $6.6 million in 2007, $5.6 million in 2008, $5.4 million in 2009, and $5.2 million in 2010.

Significant balances included in other assets are company-owned life insurance programs and TSYS investments in joint ventures.

At December 31, 2005 and 2004, Synovus maintained certain company-owned life insurance programs with a carrying value of approximately $187.2 million and $169.7 million, respectively.

Investments in joint ventures consist of TSYS 49% investment in TSYS de México, TSYS 34% investment in CUP Data and prior to March 1, 2005, TSYS 50% investment in Vital. These investments are accounted for using the equity method. Other assets include $42.7 million and $54.4 million in recorded balances related to these investments at December 31, 2005 and 2004, respectively.

Note 8 Interest Bearing Deposits

A summary of interest bearing deposits at December 31, 2005 and 2004 is as follows:

	2005	**2004**

(In thousands)				
Interest bearing demand deposits	**$**	**3,133,607**	$	2,998,947
Money market accounts		**5,748,378**		4,869,200
Savings accounts		**524,652**		547,074
Time deposits under $100,000		**2,440,484**		2,180,245
Time deposits of $100,000 or more		**2,951,724**		2,353,057
		14,798,845		12,948,523
Brokered time deposits*		**2,284,770**		2,291,037
Total interest bearing deposits	**$**	**17,083,615**	$	15,239,560

* Brokered time deposits are in amounts of $100,000 or more.

Interest expense for the years ended December 31, 2005, 2004, and 2003 on time deposits of $100,000 or more was $171.5 million, $94.3 million, and $94.2 million, respectively.

Table of Contents

Notes to Consolidated Financial Statements

The following table presents scheduled maturities of time deposits at December 31, 2005:

(In thousands)		
Maturing within one year	$	5,425,428
between 1 2 years		1,159,941
2 3 years		456,059
3 4 years		207,732
4 5 years		237,285
thereafter		190,533
	$	7,676,978

Note 9 Long-Term Debt and Short-Term Borrowings

Long-term debt at December 31, 2005 and 2004 consists of the following:

(In thousands)		**2005**	**2004**
Parent Company:			
7.25% senior notes, due December 15, 2005, with semi-annual interest payments and principal to be paid at maturity	**$**		200,000
4.875% subordinated notes, due February 15, 2013, with semi-annual interest payments and principal to be paid at maturity		**300,000**	300,000
5.125% subordinated notes, due June 15, 2017, with semi-annual interest payments and principal to be paid at maturity		**450,000**	
LIBOR + 3.60% debentures, due December 23, 2031 with quarterly interest payments and principal to be paid at maturity (rate of 8.1% at December 31, 2005)		**10,252**	10,297
Hedge-related basis adjustment		**(883)**	2,906
Total long-term debt Parent Company		**759,369**	513,203
Subsidiaries:			
Federal Home Loan Bank advances with interest and principal payments due at various maturity dates through 2018 and interest rates ranging from 2.00% to 6.68% at December 31, 2005 (weighted average interest rate is 4.14% at December 31, 2005)		**1,163,570**	1,356,205
Other notes payable, capital leases and software obligations payable with interest and principal payments due at various maturity dates through 2008 and interest rates ranging from 2.6% to 18.0% at December 31, 2005		**10,699**	10,175

Total long-term debt subsidiaries		**1,174,269**	1,366,380
Total long-term debt	**$**	**1,933,638**	1,879,583

The provisions of the loan and security agreements associated with some of the promissory notes place certain restrictions, within specified limits, on payments of cash dividends, issuance of additional debt, creation of liens upon property, disposition of common stock or assets, and investments in subsidiaries. As of December 31, 2005, Synovus and its subsidiaries were in compliance with the covenants of the loan and security agreements.

The Federal Home Loan Bank advances are secured by certain loans receivable of approximately $2.6 billion, as well as investment securities of approximately $91.4 million at December 31, 2005.

Synovus has an unsecured line of credit with an unaffiliated bank for $25 million with an interest rate of 50 basis points above the short-term index, as defined. The line of credit requires an annual commitment fee of .125% on the average daily available balance and draws can be made on demand (subject to compliance with certain restrictive covenants). There were no advances outstanding at December 31, 2005 and 2004.

Table of Contents

Notes to Consolidated Financial Statements

Required annual principal payments on long-term debt for the five years subsequent to December 31, 2005 are shown on the following table:

(In thousands)	Parent Company	Subsidiaries	Total
2006	$	681,797	681,797
2007		238,321	238,321
2008		17,592	17,592
2009		58,952	58,952
2010		16,615	16,615

The following table sets forth certain information regarding federal funds purchased and securities sold under repurchase agreements, the principal components of short-term borrowings.

(In thousands)	2005	2004	2003
Balance at December 31	**$ 1,158,669**	1,208,080	1,354,887
Weighted average interest rate at December 31	**3.69%**	1.95%	0.93%
Maximum month end balance during the year	**$ 1,918,797**	1,749,923	1,459,818
Average amount outstanding during the year	**$ 1,103,005**	1,479,815	1,101,216
Weighted average interest rate during the year	**2.86%**	1.30%	1.07%

Note 10 Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended December 31, 2005, 2004, and 2003 are as follows:

	2005			2004			2003		
(In thousands)	Before-Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Net unrealized gains (losses) on cash flow hedges	**$ (3,670)**	**1,430**	**(2,240)**	(9,718)	3,965	(5,753)	(4,562)	1,789	(2,773)
Net unrealized gains (losses) on investment									

securities available for sale:									
Unrealized gains (losses) arising during the year	**(45,639)**	**17,568**	**(28,071)**	(32,988)	12,457	(20,531)	(29,505)	11,313	(18,192)
Reclassification adjustment for (gains) losses realized in net income	**(463)**	**180**	**(283)**	(75)	29	(46)	(2,491)	959	(1,532)
Net unrealized gains (losses)	**(46,102)**	**17,748**	**(28,354)**	(33,063)	12,486	(20,577)	(31,996)	12,272	(19,724)
Foreign currency translation gains (losses)	**(12,161)**	**4,316**	**(7,845)**	8,893	(3,169)	5,724	9,379	(3,486)	5,893
Other comprehensive loss	**$(61,933)**	**23,494**	**(38,439)**	(33,888)	13,282	(20,606)	(27,179)	10,575	(16,604)

Cash settlements on cash flow hedges were $7 thousand, $5.8 million, and $7.6 million for the years ended December 31, 2005, 2004 and 2003, respectively, all of which were included in earnings. During 2005, 2004, and 2001, Synovus recorded cash (payments) receipts on terminated hedges of ($6.2) million, $313 thousand, and $3.3 million, respectively, which were deferred and are being amortized into earnings over the shorter of the remaining contract life or the maturity of the designated instrument as an adjustment to interest income (expense). There were two terminated cash flow hedges during 2005 and one terminated cash flow hedge during 2004. There were no terminated cash flow hedges during 2003. The corresponding net amortization on these settlements was approximately ($165) thousand, $456 thousand, and $1.2 million in 2005, 2004, and 2003, respectively. The change in unrealized gains (losses) on cash flow hedges was approximately $(3.8) million in 2005, ($9.3) million in 2004, and ($3.4) million in 2003.

Table of Contents

Notes to Consolidated Financial Statements

Note 11 Earnings Per Share

The following table displays a reconciliation of the information used in calculating basic and diluted earnings per share (EPS) for the years ended December 31, 2005, 2004, and 2003.

	2005			2004			2003		
(In thousands, except per share data)	**Net Income**	**Weighted Average Shares**	**Net Income Per Share**	**Net Income**	**Weighted Average Shares**	**Net Income Per Share**	**Net Income**	**Weighted Average Shares**	**Net Income Per Share**
Basic EPS	**$ 516,446**	**311,495**	**$ 1.66**	$ 437,033	307,262	$ 1.42	$ 388,925	302,010	$ 1.29
Effect of dilutive options	**(158)***	**3,320**		(247)*	3,068			2,918	
Diluted EPS	**$ 516,288**	**314,815**	**$ 1.64**	$ 436,786	310,330	$ 1.41	$ 388,925	304,928	$ 1.28

* Represents dilution from outstanding TSYS stock options which enable their holders to obtain TSYS common stock.

The following represents options to purchase shares of Synovus common stock that were outstanding during the periods noted below, but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares.

Quarter Ended	Number of Shares	Weighted Average Exercise Price Per Share
December 31, 2005	**4,725,260**	**$ 29.21**
September 30, 2005	**4,703,210**	**$ 29.22**
June 30, 2005	**2,933,225**	**$ 29.05**
March 31, 2005	**2,637,150**	**$ 28.98**
December 31, 2004	2,637,150	$ 28.98
September 30, 2004	7,002,758	$ 27.34
June 30, 2004	7,046,977	$ 27.33
March 31, 2004	6,905,462	$ 27.37
December 31, 2003	2,609,500	$ 28.99
September 30, 2003	6,475,443	$ 27.13
June 30, 2003	11,401,281	$ 25.05
March 31, 2003	11,577,418	$ 25.02

Note 12 Derivative Instruments, Commitments and Contingencies

Derivative Instruments

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

At December 31, 2005, Synovus had commitments to fund fixed-rate mortgage loans to customers in the amount of $96.2 million. The fair value of these commitments at December 31, 2005 was an unrealized loss of $337 thousand.

At December 31, 2005, outstanding commitments to sell fixed-rate mortgage loans amounted to approximately $135.9 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 December 31, 2005 was an unrealized loss of $684 thousand.

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 reported at fair value with any resulting gain or loss recorded in current period earnings. As of December 31, 2005 and 2004, the notional amount of customer related derivative financial instruments was $857.6 million and $347.5 million, respectively.

Interest rate swap transactions generally involve the exchange of fixed and floating rate interest rate payment obligations without the exchange of underlying principal amounts. Entering into interest rate contracts involves not only interest rate risk, but also the risk of counterparties failure to fulfill their legal obligations. 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 December 31, 2005 are being utilized to hedge $350 million in floating rate loans and $807.5 million in fixed-rate liabilities.

Table of Contents

Notes to Consolidated Financial Statements

A summary of interest rate contracts and their terms at December 31, 2005 and 2004 is shown below. In accordance with the provisions of SFAS No. 133, the fair value (net unrealized gains and losses) of these contracts has been recorded on the consolidated balance sheet.

Synovus expects to reclassify from accumulated other comprehensive income approximately $2.1 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.

During 2005 and 2004, Synovus terminated certain cash flow hedges which resulted in a net pre-tax gain (loss) of ($6.2) million and $313 thousand, respectively. These gains (losses) have been included as a component of accumulated other comprehensive income (loss) and are being amortized over the shorter of the remaining contract life or the maturity of the designated instrument as an adjustment to interest income (expense). The remaining unamortized deferred gain (loss) balances at December 31, 2005 and 2004 were ($5.8) million and $206 thousand, respectively. There were no terminated cash flow hedges during 2003.

	Notional Amount	Weighted Average Receive Rate	Weighted Average Pay Rate*	Weighted Average Maturity In Months	Unrealized Gains	Unrealized Losses	Net Unrealized Gains (Losses)
December 31, 2005							
Receive fixed swaps:							
Fair value hedges	**$ 807,500**	**4.38%**	**4.28%**	**70**	**$ 1,270**	**(14,804)**	**(13,534)**
Cash flow hedges	**350,000**	**6.10%**	**7.25%**	**18**	**117**	**(3,667)**	**(3,550)**
Total	**$ 1,157,500**	**4.90%**	**5.18%**	**54**	**1,387**	**(18,471)**	**(17,084)**
December 31, 2004							
Receive fixed swaps:							
Fair value hedges	$ 477,500	4.24%	2.33%	88	$ 3,435	(5,214)	(1,779)
Cash flow hedges	500,000	5.12%	5.25%	12		(4,090)	(4,090)
Sub Total	977,500	4.69%	3.83%	49	3,435	(9,304)	(5,869)
Forward starting swaps:							
Cash flow hedges	200,000			123	293	(2,109)	(1,816)
Total	$ 1,177,500				$ 3,728	(11,413)	(7,685)

* Variable pay rate based upon contract rates in effect at December 31, 2005 and 2004.

Loan Commitments and Letters of Credit

Synovus is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and commercial letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements.

The carrying amount of loan commitments and letters of credit closely approximates the fair value of such financial instruments. Carrying amounts include unamortized fee income and, in some instances, allowances for any estimated credit losses from these financial instruments. These amounts are not material to Synovus consolidated balance sheet.

As of December 31, 2005, Synovus had standby and commercial letters of credit in the amount of $2.3 billion. The standby letters of credit are conditional commitments issued by Synovus to guarantee the performance of a customer to a third party. The approximate terms of these commitments range from one to five years. Collateral is required to support letters of credit in accordance with management s evaluation of the creditworthiness of each customer.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, and standby and commercial letters of credit, is represented by the contract amount of

Table of Contents

Notes to Consolidated Financial Statements

those instruments. Synovus uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements.

Loan commitments and letters of credit at December 31, 2005 include the following:

(In thousands)		
Standby and commercial letters of credit	$	**2,312,148**
Commitments to fund commercial real estate, construction, and land development loans		**2,054,375**
Unused credit card lines		**1,386,723**
Other loan commitments		**3,970,128**
Total	$	**9,723,374**

Lease Commitments

Synovus and its subsidiaries have entered into long-term operating leases for various facilities and computer equipment. Management expects that as these leases expire they will be renewed or replaced by similar leases based on need.

At December 31, 2005, minimum rental commitments under all such noncancelable leases for the next five years and thereafter are as follows:

(In thousands)		
2006	$	**130,967**
2007		**108,865**
2008		**58,709**
2009		**24,349**
2010		**14,167**
Thereafter		**46,846**
Total	$	**383,903**

Rental expense on computer equipment, including cancelable leases, was $107.9 million, $97.1 million, and $93.6 million for the years ended December 31, 2005, 2004, and 2003, respectively. Rental expense on facilities was $27.9 million, $21.4 million, and $18.3 million for the years ended December 31, 2005, 2004, and 2003, respectively.

Contractual Commitments

In the normal course of its business, TSYS maintains long-term processing contracts with its clients. These processing contracts contain commitments, including but not limited to, minimum standards and time frames against which its performance is measured. In the event that TSYS does not meet its contractual commitments with its clients,

TSYS may incur penalties and/or certain clients may have the right to terminate their contracts with TSYS. TSYS does not believe that it will fail to meet its contractual commitments to an extent that will result in a material adverse effect on its financial position, results of operations or cash flows.

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 opinion of management, based in part upon the advice of legal counsel, all matters are believed to be adequately covered by insurance, or if not covered, are believed to be without merit or are of such kind or involve such amounts that would not have a material adverse effect on the financial position, results of operations or cash flows of Synovus if disposed of unfavorably. Synovus establishes reserves for expected future litigation exposures that Synovus determines to be both probable and reasonably estimable.

TSYS received notification from the United States Attorneys Office for the Northern District of California that the United States Department of Justice was investigating whether TSYS and/or one of its large credit card processing clients violated the False Claims Act, 31 U.S.C. §§3729-33, in connection with mailings made on behalf of the client from July 1997 through November 2001. The subject matter of the investigation related to the U.S. Postal Service s Move Update Requirements. In general, the Postal Service s Move Update Requirements are designed to reduce the volume of mail that is returned to sender as undeliverable as addressed. TSYS produced documents and information in response to a subpoena that it received from the Office of the Inspector General of the United States Postal Service and otherwise cooperated with the Department of Justice during the investigation. The involved parties agreed to a settlement of the matter without any party admitting liability. The matter was settled during the third quarter of 2005 for amounts that were not material to TSYS financial condition, results of operations or cash flows.

Note 13 Regulatory Requirements and Restrictions

The amount of dividends paid to the Parent Company from each of the subsidiary banks is limited by various banking regulatory agencies. The amount of cash dividends available from subsidiary banks for payment in 2006, in the aggregate, without prior approval from the banking regulatory agencies, is approximately $355 million. In prior years, certain Synovus banks have received permission and have paid cash dividends

Table of Contents

Notes to Consolidated Financial Statements

to the Parent Company in excess of these regulatory limitations.

Synovus is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Synovus must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Synovus on a consolidated basis, and the Parent Company and subsidiary banks individually, to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets as defined, and of Tier I capital to average assets, as defined. Management believes that as of December 31, 2005, Synovus meets all capital adequacy requirements to which it is subject.

As of December 31, 2005, the most recent notification from the Federal Reserve Bank of Atlanta categorized all of the subsidiary banks as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, Synovus and its subsidiaries must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table shown below. Management is not currently aware of the existence of any conditions or events occurring subsequent to December 31, 2005 which would affect the well-capitalized classification.

Notes to Consolidated Financial Statements

The following table summarizes regulatory capital information at December 31, 2005 and 2004 on a consolidated basis and for each significant subsidiary, as defined.

(Dollars in thousands)	**Actual**		**For Capital Adequacy Purposes**		**To be Well Capitalized Under Prompt Corrective Action Provisions**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Synovus Financial Corp.						
Tier I capital	**$2,660,704**	2,369,332	**1,040,352**	943,991	**n/a**	n/a
Total risk-based capital	**3,700,315**	2,935,077	**2,080,704**	1,887,982	**n/a**	n/a
Tier I capital ratio	**10.23%**	10.04	**4.00**	4.00	**n/a**	n/a
Total risk-based capital ratio	**14.23**	12.44	**8.00**	8.00	**n/a**	n/a
Leverage ratio	**9.99**	9.78	**4.00**	4.00	**n/a**	n/a
Columbus Bank and Trust Company						
Tier I capital	**$1,145,365**	1,014,308	**211,243**	196,739	**316,865**	295,108
Total risk-based capital	**1,177,604**	1,047,399	**422,487**	393,477	**528,108**	491,847
Tier I capital ratio	**21.69%**	20.62	**4.00**	4.00	**6.00**	6.00
Total risk-based capital ratio	**22.30**	21.30	**8.00**	8.00	**10.00**	10.00
Leverage ratio	**23.15**	20.70	**4.00**	4.00	**5.00**	5.00
The National Bank of South Carolina						
Tier I capital	**$ 305,544**	276,365	**128,994**	116,854	**193,491**	175,281
Total risk-based capital	**340,828**	310,383	**257,988**	233,708	**322,485**	292,135
Tier I capital ratio	**9.47%**	9.46	**4.00**	4.00	**6.00**	6.00
Total risk-based capital ratio	**10.57**	10.62	**8.00**	8.00	**10.00**	10.00
Leverage ratio	**8.35**	8.70	**4.00**	4.00	**5.00**	5.00
Bank of North Georgia						
Tier I capital	**$ 283,613**	243,906	**120,228**	107,778	**180,343**	161,667
Total risk-based capital	**316,432**	274,580	**240,457**	215,556	**300,571**	269,445
Tier I capital ratio	**9.44%**	9.05	**4.00**	4.00	**6.00**	6.00
Total risk-based capital ratio	**10.53**	10.19	**8.00**	8.00	**10.00**	10.00
Leverage ratio	**9.96**	9.55	**4.00**	4.00	**5.00**	5.00

Note 14 Employment Expenses and Benefit Plans

Synovus generally provides noncontributory money purchase and profit sharing plans, and 401(k) plans, which cover all eligible employees. Annual discretionary contributions to these plans are set each year by the respective Boards of Directors of each subsidiary, but cannot exceed amounts allowable as a deduction for federal income tax purposes. Aggregate contributions to these money purchase, profit sharing, and 401(k) plans recorded as expense for the years ended December 31, 2005, 2004, and 2003 were approximately $85.5 million, $57.8 million, and $38.4 million, respectively.

Synovus has stock purchase plans for directors and employees whereby Synovus makes contributions equal to one-half of employee and director voluntary contributions. The funds are used to purchase outstanding shares of Synovus common stock. TSYS has established director and employee stock purchase plans, modeled after Synovus plans, except that the funds are used to purchase outstanding shares of TSYS common stock. Synovus and TSYS recorded as expense $11.9 million, $10.3 million, and $9.5 million for contributions to these plans in 2005, 2004, and 2003, respectively.

Synovus has entered into employment agreements with certain executive officers for past and future services which provide for current compensation in addition to salary in the form of deferred compensation payable at retirement or in the event of death, total disability, or termination of employment. The aggregate cost of these salary continuation plans and employment agreements is not material to the consolidated financial statements.

Synovus provides certain medical benefits to qualified retirees through a postretirement medical benefits plan. The

Notes to Consolidated Financial Statements

benefit expense and accrued benefit cost is not material to the consolidated financial statements.

Note 15 Stock-Based Compensation

Synovus has various stock option plans under which the Compensation Committee of the Board of Directors has the authority to grant stock options to Synovus employees. At December 31, 2005, Synovus had 4,853,167 shares of its authorized but unissued common stock reserved for future grants under the stock option plans. The general terms of the existing stock option plans include vesting periods ranging from two to three years and exercise periods ranging from five to ten years. Such stock options are granted at exercise prices which equal the fair market value of a share of common stock on the grant date.

Synovus has granted performance-accelerated stock options to certain key executives. The exercise price per share is equal to the fair market value at the date of grant. The options are exercisable in equal installments when the per share market price of Synovus common stock exceeds $40, $45, and $50. However, all options may be exercised after seven years from the grant date.

Summary information regarding these performance-accelerated stock options is presented below. There were no performance-accelerated stock options granted during 2005, 2004, or 2003.

Year Options Granted	Number of Stock Options	Exercise Price Per Share	Options Outstanding at December 31, 2005
2000	4,100,000	$17.69 - 18.06	4,100,000
2001	2,600,000	28.99	2,600,000

A summary of stock options outstanding as of December 31, 2005, 2004, and 2003 and changes during the years then ended is presented below:

	2005		2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	**25,769,908**	**$ 21.51**	25,473,518	$ 20.23	25,874,237	$ 19.59
Options granted	**2,575,053**	**29.02**	2,724,306	26.03	2,242,276	19.21
Options assumed in connection with acquisitions			288,884	7.49	590,622	9.02
Options exercised	**(2,551,310)**	**17.34**	(2,495,858)	11.62	(2,730,176)	10.93
Options cancelled	**(246,875)**	**23.88**	(220,942)	23.25	(503,441)	19.94

Options outstanding at end of period	**25,546,776**	**$ 22.66**	25,769,908	$ 21.51	25,473,518	$ 20.23
Options exercisable at end of period	**12,415,332**	**$ 21.75**	12,452,702	$ 19.88	12,722,235	$ 17.54

The following is a summary of stock options outstanding at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number of Options**	**Weighted Avg. Remaining Term**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Avg. Exercise Price**
$ 1.75 - $ 4.71	10,067	3.5 years	$ 3.35	10,067	$ 3.35
$ 4.89 - $ 7.50	26,135	2.4 years	$ 5.78	26,135	$ 5.78
$ 7.83 - $11.51	324,556	2.9 years	$ 9.67	324,556	$ 9.67
$12.26 - $18.38	7,096,863	3.7 years	$ 17.49	3,496,385	$ 17.18
$18.69 - $27.98	13,385,945	5.4 years	$ 23.47	8,051,689	$ 23.84
$28.99 - $32.57	4,703,210	7.2 years	$ 29.22	506,500	$ 29.02

In addition to the stock options described above, non-transferable, restricted shares of Synovus common stock have been awarded to certain key executives and non-employee directors of Synovus. Except for the grant described in the following paragraph, the market value of the common stock at the date of issuance is amortized as compensation expense using the straight-line method over the vesting period of the awards.

During 2005, Synovus granted 63,386 shares of restricted stock to a key executive with a performance-vesting schedule. The restricted shares have seven one-year performance periods (2005-2011) during each of which the Compensation Committee establishes an earnings per share goal and, if such

Table of Contents

Notes to Consolidated Financial Statements

goal is attained during any performance period, 20% of the restricted shares will vest. Compensation expense for this grant is measured at the end of each period based on the quoted market value of Synovus stock and is accrued as a charge to compensation expense during the performance period.

Aggregate compensation expense with respect to the foregoing Synovus restricted stock awards was approximately $862 thousand, $55 thousand, and $55 thousand for the years ended December 31, 2005, 2004, and 2003, respectively. Summary information regarding outstanding restricted stock awards at December 31, 2005 is presented below:

Year Awards Granted	Market Value at Award Date	Vesting Period
2002	$ 177,786	5 years
2005	3,952,644	3-7 years

The following table provides aggregate information regarding grants under all Synovus equity compensation plans through December 31, 2005.

Plan Category[1]	(a) Number of securities to be issued upon exercise of outstanding options	(b) Weighted-average exercise price of outstanding options	(c) Number of shares remaining available for issuance excluding shares reflected in column (a)
Shareholder approved equity compensation plans	25,039,614(2)	$ 22.90	4,853,167(3)
Non-shareholder approved equity compensation plans			
Total	25,039,614	$ 22.90	4,853,167

(1) Does not include information for equity compensation plans assumed by Synovus in mergers. A total of 507,162 shares of common stock was issuable upon exercise of options granted under plans assumed in mergers and outstanding at December 31, 2005. The weighted average exercise price of all options granted under plans assumed in mergers and outstanding at December 31, 2005 was $11.12. Synovus cannot grant additional awards under these assumed plans.
(2) Does not include an aggregate of 145,969 shares of restricted stock which will vest over the remaining years through 2011.
(3) Includes 4,853,167 shares available for future grants as restricted stock awards under the 2002 Plan.

During 2005, TSYS granted 100,815 restricted shares of TSYS common stock to certain key executives and directors. The market value of the common stock at the date of issuance is being amortized as compensation expense using the straight-line method over the vesting period of the awards.

Additionally, during 2005, TSYS granted 126,087 shares of restricted stock to certain key executives with a performance-vesting schedule. The restricted shares have seven one-year performance periods (2005-2011) during each of which the TSYS Compensation Committee establishes an earnings per share goal and, if such goal is attained during any performance period, 20% of the restricted shares will vest. Compensation expense for this grant is measured at the end of each period based on the quoted market value of TSYS common stock and is accrued as a charge to compensation expense during the performance period.

Aggregate compensation expense in 2005 with respect to the foregoing TSYS restricted stock awards was $1.1 million.

Note 16 Fair Value of Financial Instruments

The following table presents the carrying and estimated fair values of on-balance sheet financial instruments at December 31, 2005 and 2004. The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

The carrying and estimated fair values relating to derivative instruments and off-balance sheet financial instruments are discussed in Note 12.

Cash and due from banks, interest earning deposits with banks, and federal funds sold and securities purchased under resale agreements are repriced on a short-term basis; as such, the carrying value closely approximates fair value.

The fair value of mortgage loans held for sale is based on quoted prices from secondary market investors.

The fair value of loans is estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type, such as commercial, mortgage, home equity, credit card, and other consumer loans. Fixed rate commercial loans are further segmented into certain collateral code groupings. Mortgage loans are further segmented into fixed and adjustable-rate interest terms. Commercial, mortgage, and other consumer loans with adjustable interest rates are assumed to be at fair value. Home equity loans have adjustable interest rates and are, therefore, assumed to be at fair value. The fair value of fixed-rate loans is calculated by discounting contractual cash flows using estimated market discount rates which reflect the credit and interest rate risk inherent in the loan.

Table of Contents

Notes to Consolidated Financial Statements

The fair value of deposits with no stated maturity, such as non-interest bearing demand accounts, interest bearing demand deposits, money market accounts, and savings accounts, is estimated to be equal to the amount payable on demand as of that respective date. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Short-term debt that matures within ten days is assumed to be at fair value. The fair value of other short-term and long-term debt with fixed interest rates is calculated by discounting contractual cash flows using estimated market discount rates.

	2005		2004	
(In thousands)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Financial assets:				
Cash and due from banks	**$ 880,886**	**880,886**	683,035	683,035
Interest earning deposits with banks	**2,980**	**2,980**	4,153	4,153
Federal funds sold and securities purchased under resale agreements	**68,922**	**68,922**	135,471	135,471
Trading account assets	**27,322**	**27,322**		
Mortgage loans held for sale	**143,144**	**143,283**	120,186	120,301
Investment securities available for sale	**2,958,320**	**2,958,320**	2,695,593	2,695,593
Loans, net	**21,102,735**	**21,066,751**	19,214,651	19,187,678
Financial liabilities:				
Non-interest bearing deposits	**3,700,750**	**3,700,750**	3,337,908	3,337,908
Interest bearing deposits	**17,083,615**	**17,043,482**	15,239,560	15,236,498
Federal funds purchased and securities sold under repurchase agreements	**1,158,669**	**1,158,669**	1,208,080	1,208,080
Long-term debt	**1,933,638**	**1,927,525**	1,879,583	1,876,806

Note 17 Income Taxes

For the years ended December 31, 2005, 2004, and 2003, income tax expense (benefit) consists of:

	2005	**2004**	**2003**
(In thousands)			
Current:			
Federal	**$ 331,807**	215,633	189,901
State	**24,657**	12,767	5,896
Foreign	**4,687**	1,447	
	361,151	229,847	195,797

Deferred:			
Federal	**(46,394)**	19,120	19,137
State	**(5,054)**	1,491	7,642
Foreign	**(2,127)**	1,790	
	(53,575)	22,401	26,779
Total income tax expense	**$ 307,576**	252,248	222,576

Notes to Consolidated Financial Statements

Income tax expense as shown in the consolidated statements of income differed from the amounts computed by applying the U.S. Federal income tax rate of 35% to pretax income as a result of the following:

	2005	2004	2003
(Dollars in thousands)			
Taxes at statutory federal income tax rate	**$ 288,408**	241,248	214,025
Tax-exempt income	**(3,745)**	(4,124)	(4,553)
State income taxes, net of federal income tax benefit	**12,742**	9,268	8,800
Minority interest	**13,083**	10,053	9,440
Tax credits	**(5,793)**	(1,980)	(2,403)
Other permanent differences, net	**2,881**	(2,217)	(2,733)
Total income tax expense	**$ 307,576**	252,248	222,576
Effective income tax rate	**37.33%**	36.60	36.40

At December 31, 2005 and 2004, Synovus had state income tax credit carryforwards of $8.8 million and $7.7 million, respectively. The credits will begin to expire in the year 2010. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets become deductible, management believes that it is more likely than not that Synovus will realize the benefits of these deductible differences, net of existing valuation allowances, at December 31, 2005. The valuation allowance for deferred tax assets was $2.2 million and $1.9 million at December 31, 2005 and 2004, respectively. The increase in the valuation allowance for deferred income tax assets was $300,000 for the year ended December 31, 2005. The increase relates to new state tax credits earned in the year 2005, which more likely than not will not be realized in later years.

For the year ended December 31, 2005, net deferred tax assets of $1.2 million were added as a result of the acquisition of Vital. For the year ended December 31, 2004, net deferred tax liabilities of $2.7 million were added as a result of the acquisition of Peoples Bank, Trust One, and Clarity.

Notes to Consolidated Financial Statements

The tax effects of temporary differences that gave rise to significant portions of the deferred income tax assets and liabilities at December 31, 2005 and 2004 are presented below:

		2005	2004
(In thousands)			
Deferred income tax assets:			
Provision for losses on loans	$	**119,850**	107,808
Finance lease transactions		**25,998**	
Net operating loss and income tax credit carryforwards		**16,081**	20,485
Deferred revenue		**11,265**	
Deferred compensation		**5,051**	5,299
Net unrealized loss on cash flow hedges		**3,957**	2,527
Net unrealized loss on investment securities available for sale		**17,831**	83
Other		**9,245**	15,209
Total gross deferred income tax assets		**209,278**	151,411
Less valuation allowance		**(2,241)**	(1,853)
Total net deferred income tax assets	$	**207,037**	149,558
Deferred income tax liabilities:			
Finance lease transactions			(29,250)
Differences in depreciation		**(116,097)**	(79,891)
Computer software development costs		**(37,160)**	(38,154)
Purchase accounting adjustments		**(14,916)**	(17,229)
Differences in revenue recognition			(11,374)
Foreign currency translation		**(3,424)**	(8,754)
Ownership interest in partnership		**(2,739)**	(6,062)
Other		**(12,100)**	(17,439)
Total gross deferred income tax liabilities		**(186,436)**	(208,153)
Net deferred income tax asset (liability)	$	**20,601**	(58,595)

Note 18 Operating Segments

Synovus has two reportable segments: Financial Services and Transaction Processing Services (TSYS). The Financial Services segment provides financial services including banking, financial management, insurance, mortgage and leasing services through 39 wholly-owned affiliate banks and other Synovus offices in Georgia, Alabama, South Carolina, Florida, and Tennessee. Through online accounting and electronic payment processing systems, TSYS provides electronic payment processing services and other related services to banks and other card-issuing institutions in the United States, Mexico, Canada, Honduras, Puerto Rico and Europe. TSYS currently offers merchant services to

financial institutions and other organizations in the United States and Japan through Vital and GPNet. The significant accounting policies of the segments are described in the summary of significant accounting policies. 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

Notes to Consolidated Financial Statements

Segment information for the years ended December 31, 2005, 2004, and 2003 is presented in the following table.

(In thousands)	Year	Financial Services	TSYS(a)	Eliminations	Consolidated
Interest income	**2005**	**$ 1,496,262**	**3,873**	**(3,910)(b)**	**1,496,225**
	2004	1,159,020	1,348	(1,348)(b)	1,159,020
	2003	1,061,522	747	(777)(b)	1,061,492
Interest expense	**2005**	**531,046**	**242**	**(3,910)(b)**	**527,378**
	2004	299,489	200	(1,348)(b)	298,341
	2003	299,066	139	(777)(b)	298,428
Net interest income	**2005**	**965,216**	**3,631**		**968,847**
	2004	859,531	1,148		860,679
	2003	762,456	608		763,064
Provision for losses on loans	**2005**	**82,532**			**82,532**
	2004	75,319			75,319
	2003	71,777			71,777
Net interest income after provision	**2005**	**882,684**	**3,631**		**886,315**
for losses on loans	2004	784,212	1,148		785,360
	2003	690,679	608		691,287
Total non-interest income	**2005**	**327,412**	**1,611,897**	**(20,830)(c)**	**1,918,479**
	2004	327,441	1,212,414	(18,844)(c)	1,521,011
	2003	311,023	1,074,457	(16,151)(c)	1,369,329
Total non-interest expense	**2005**	**646,757**	**1,317,464**	**(20,830)(c)**	**1,943,391**
	2004	621,674	985,536	(18,844)(c)	1,588,366
	2003	575,407	862,887	(16,151)(c)	1,422,143
Income before taxes	**2005**	**563,339**	**298,064**	**(37,381)(d)**	**824,022**
	2004	489,979	228,026	(28,724)(d)	689,281
	2003	426,295	212,178	(26,972)(d)	611,501
Income tax expense	**2005**	**204,289**	**103,287**		**307,576**
	2004	175,039	77,209		252,248
	2003	151,709	70,867		222,576
Net income	**2005**	**359,050**	**194,777**	**(37,381)(d)**	**516,446**
	2004	314,940	150,817	(28,724)(d)	437,033
	2003	274,586	141,311	(26,972)(d)	388,925
Total assets	**2005**	**26,401,125**	**1,395,633**	**(176,086)(e)**	**27,620,672**
	2004	23,966,347	1,241,797	(157,966)(e)	25,050,178
	2003	20,715,606	1,000,836	(83,813)(e)	21,632,629

(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 Net (a TSYS subsidiary).

(e) Primarily TSYS cash deposits with the Financial Services segment.

Table of Contents

Notes to Consolidated Financial Statements

Segment information for the changes in the carrying amount of goodwill for the years ended December 31, 2005 and 2004 are shown in the following table. There were no impairment losses for the years ended December 31, 2005 and 2004.

(In thousands)	Financial Services	TSYS	Consolidated
Balance as of December 31, 2003	$ 219,242	29,626	248,868
Goodwill acquired	126,480	40,931	167,411
Impairment losses			
Currency translation adjustments[3]		4	4
Balance as of December 31, 2004	$ 345,722	70,561	416,283
Goodwill acquired	235[1]	43,632[2]	43,867
Impairment losses			
Currency translation adjustments[3]		(16)	(16)
Other	(440) [4]	(1,312) [5]	(1,752)
Balance as of December 31, 2005	$ 345,517	112,865	458,382

(1) $226 thousand pertains to contingent consideration relating to the GLOBALT acquisition. The remaining $9 thousand pertains to additional acquisition expenses related to the Trust One acquisition. See Note 2 for additional information on these business combinations.

(2) Goodwill acquired during 2005 consists of $36.7 million in goodwill based on the preliminary purchase price allocation for the Vital acquisition which was completed on March 1, 2005. $4.9 million in additional goodwill consists of fifty percent of the previously recorded goodwill on Vital s balance sheet, which is now being consolidated in TSYS balance sheet. The remaining $2.0 million in goodwill relates to the acquisition of Merlin Solutions, L.L.C. See Note 2 for additional information regarding these acquisitions.

(3) Consists of foreign currency translation adjustments for GP Net.

(4) During 2005, Synovus recorded a reduction in goodwill of $440 thousand associated with the sale of two bank charters.

(5) On August 2, 2004, TSYS completed the acquisition of Clarity. During 2005, TSYS recorded a final adjustment to the purchase price allocation, which resulted in a $1.3 million reduction in other liabilities with a corresponding $1.3 million decrease in goodwill.

Table of Contents

Notes to Consolidated Financial Statements

Note 19 Condensed Financial Information of Synovus Financial Corp. (Parent Company only)

Condensed Balance Sheets

(In thousands)	December 31,	
	2005	**2004**
Assets		
Cash	$ **1,747**	4,911
Investment in consolidated bank subsidiaries, at equity (including TSYS)	**3,383,050**	3,018,729
Investment in consolidated nonbank subsidiaries, at equity	**53,829**	29,698
Notes receivable from bank subsidiaries	**197,677**	27,278
Notes receivable from nonbank subsidiaries	**4,014**	1,630
Other assets	**137,009**	143,916
Total assets	$ **3,777,326**	3,226,162
Liabilities and Shareholders Equity		
Liabilities:		
Long-term debt	$ **759,369**	513,203
Other liabilities	**68,628**	71,670
Total liabilities	**827,997**	584,873
Shareholders equity:		
Common stock	**318,301**	315,636
Surplus	**686,447**	628,396
Treasury stock	**(113,944)**	(113,944)
Unearned compensation	**(3,126)**	(106)
Accumulated other comprehensive income (loss)	**(29,536)**	8,903
Retained earnings	**2,091,187**	1,802,404
Total shareholders equity	**2,949,329**	2,641,289
Total liabilities and shareholders equity	$ **3,777,326**	3,226,162

Table of Contents

Notes to Consolidated Financial Statements

Condensed Statements of Income

	Years Ended December 31,		
	2005	**2004**	**2003**
(In thousands)			
Income:			
Dividends received from bank subsidiaries (including TSYS)	$ **251,202**	228,586	230,580
Information technology fees from affiliates	**68,890**	63,205	62,301
Securities gains (losses), net	**166**		(209)
Interest income	**3,698**	7,308	10,591
Other income	**33,534**	45,035	21,873
Total income	**357,490**	344,134	325,136
Expenses:			
Interest expense	**41,560**	27,200	31,807
Other expenses	**166,856**	141,603	125,964
Total expenses	**208,416**	168,803	157,771
Income before income taxes and equity in undistributed income of subsidiaries	**149,074**	175,331	167,365
Allocated income tax benefit	**(38,471)**	(20,513)	(23,832)
Income before equity in undistributed income of subsidiaries	**187,545**	195,844	191,197
Equity in undistributed income of subsidiaries	**328,901**	241,189	197,728
Net income	$ **516,446**	437,033	388,925

Table of Contents

Notes to Consolidated Financial Statements

Condensed Statements of Cash Flows

(In thousands)	Years ended December 31,		
	2005	**2004**	**2003**
Operating Activities			
Net income	$ **516,446**	437,033	388,925
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	**(328,901)**	(241,189)	(197,728)
Depreciation, amortization, and accretion, net	**17,243**	17,365	16,428
Net increase (decrease) in other liabilities	**(3,029)**	20,784	5,469
Net (increase) decrease in other assets	**7,302**	(15,522)	(23,762)
Other, net	**(508)**	(10,180)	2,871
Net cash provided by operating activities	**208,553**	208,291	192,203
Investing Activities			
Net investment in subsidiaries	**(85,887)**	(73,920)	(52,864)
Cash paid for acquisitions	**(10)**	(32,077)	(80,400)
Cash proceeds from sales of subsidiaries		26,164	5,181
Purchases of premises & equipment	**(17,503)**	(18,364)	(14,201)
Net (increase) decrease in short-term notes receivable from bank subsidiaries	**(170,399)**	81,559	9,212
Net (increase) decrease in short-term notes receivable from nonbank subsidiaries	**(2,384)**	(899)	1,634
Net cash used in investing activities	**(276,183)**	(17,537)	(131,438)
Financing Activities			
Dividends paid to shareholders	**(224,303)**	(209,883)	(194,177)
Purchase of treasury stock		(4)	(112,655)
Principal repayments on long-term debt	**(200,000)**		(81,959)
Proceeds from issuance of long-term debt	**445,644**		300,000
Proceeds from issuance of common stock	**43,125**	23,465	28,070
Net cash provided by (used in) financing activities	**64,466**	(186,422)	(60,721)
Increase (decrease) in cash	**(3,164)**	4,332	44
Cash at beginning of period	**4,911**	579	535
Cash at end of period	$ **1,747**	4,911	579

For the years ended December 31, 2005, 2004, and 2003, the Parent Company paid income taxes (net of refunds received) of $315 million, $182 million, and $175 million, and interest in the amount of $40 million, $29 million, and $26 million, respectively.

On April 14, 2003, the Synovus Board of Directors approved a two-year $200 million share repurchase plan. During the term of the plan, which expired on April 14, 2005, 5.5 million shares were repurchased at a total cost of $112.7 million. There were no share repurchases under this plan in 2005 or 2004.

Note 20 Supplemental Financial Data

Components of other operating income and expenses in excess of 1% of total revenues for any of the respective years are as follows:

	Years ended December 31,		
(In thousands)	**2005**	**2004**	**2003**
Income:			
Equity in income of joint ventures	**$ 6,135**	23,736	17,810
Expenses:			
Stationery, printing, and supplies	**37,245**	33,273	34,128
Third-party processing services	**66,464**	30,057	27,518
Attorney commissions and court costs	**32,116**	33,930	12,433
Consulting fees	**33,954**	15,594	11,376

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Synovus Financial Corp.:

We have audited the accompanying consolidated balance sheets of Synovus Financial Corp. and subsidiaries (Synovus) as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of Synovus management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Synovus Financial Corp. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Synovus internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2006 expressed an unqualified opinion on management s assessment of, and the effective operation of, internal control over financial reporting.

Atlanta, Georgia
March 3, 2006

Table of Contents

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Synovus Financial Corp. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.

The Company s management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework.*

In conducting the Company s evaluation of the effectiveness of its internal control over financial reporting, the Company has excluded the acquisition of Vital Processing Services, L.L.C. (Vital) by the Company s majority owned subsidiary, Total System Services, Inc., which was completed in 2005. This acquisition constituted less than 1% of consolidated assets as of December 31, 2005 and 8.9% and 4.2% of consolidated total revenue and consolidated net income, respectively, for the year then ended. Please refer to Note 2 to the consolidated financial statements for further discussion of this acquisition and its impact on Synovus consolidated financial statements.

Based on our assessment, we believe that, as of December 31, 2005, the Company s internal control over financial reporting is effective based on the criteria set forth in *Internal Control Integrated Framework.*

Management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 has been audited by KPMG LLP, the independent registered public accounting firm which also audited the Company s consolidated financial statements. KPMG LLP s attestation report on management s assessment of the Company s internal control over financial reporting appears on page F-42 hereof.

Richard E. Anthony	Thomas J. Prescott
President &	Executive Vice President &
Chief Executive Officer	Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Synovus Financial Corp.:

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that Synovus Financial Corp. and subsidiaries (Synovus) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Synovus management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of Synovus internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Synovus maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Synovus maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Synovus majority owned subsidiary, Total System Services, Inc., acquired Vital Processing Services, L.L.C. (Vital) during 2005. Management excluded from its assessment of the effectiveness of Synovus internal control over financial reporting as of December 31, 2005, Vital s internal control over financial reporting associated with total assets of less than 1% of consolidated total assets of Synovus as of December 31, 2005 and total revenue and net income of 8.9% and 4.2% of consolidated total revenue and consolidated net income, respectively, of Synovus for the year then ended. Our audit of internal control over financial reporting of Synovus also excluded an evaluation of the internal control over financial reporting of Vital.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Synovus as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2005, and our report dated March 3, 2006 expressed an unqualified opinion on

those consolidated financial statements.
Atlanta, Georgia
March 3, 2006

Table of Contents

Selected Financial Data

(In thousands, except per share data)	Years Ended December 31, 2005	2004	2003	2002	2001
Income Statement:					
Total revenues (a)	$ **2,886,863**	2,381,615	2,129,902	1,949,688	1,792,286
Net interest income	**968,847**	860,679	763,064	717,504	629,791
Provision for losses on loans	**82,532**	75,319	71,777	65,327	51,673
Non-interest income	**1,918,479**	1,521,011	1,369,329	1,234,822	1,164,217
Non-interest expense	**1,943,391**	1,588,366	1,422,143	1,299,470	1,232,483
Net income	**516,446**	437,033	388,925	365,347	311,616
Per share data:					
Net income - basic	**1.66**	1.42	1.29	1.23	1.07
Net income - diluted	**1.64**	1.41	1.28	1.21	1.05
Cash dividends declared	**0.73**	0.69	0.66	0.59	0.51
Book value	**9.43**	8.52	7.43	6.79	5.75
Balance Sheet:					
Investment securities	**2,958,320**	2,695,593	2,529,257	2,237,725	2,088,287
Loans, net of unearned income	**21,392,347**	19,480,396	16,464,914	14,463,909	12,417,917
Deposits	**20,784,365**	18,577,468	15,941,609	13,928,834	12,146,198
Long-term debt	**1,933,638**	1,879,583	1,575,777	1,336,200	1,052,943
Shareholders equity	**2,949,329**	2,641,289	2,245,039	2,040,853	1,694,946
Average total shareholders equity	**2,799,496**	2,479,404	2,166,777	1,855,492	1,548,030
Average total assets	**26,291,484**	23,275,001	20,412,853	17,414,654	15,375,004
Performance ratios and other data:					
Return on average assets	**1.96%**	1.88	1.91	2.10	2.03
Return on average equity	**18.45**	17.63	17.95	19.69	20.13
Net interest margin, before fees	**4.05**	3.92	3.90	4.27	4.28
Net interest margin, after fees	**4.19**	4.22	4.26	4.65	4.65
Efficiency ratio(b)	**49.79**	52.06	53.34	52.07	53.80
Dividend payout ratio(c)	**44.51**	48.94	51.56	48.76	48.57
Average shareholders equity to average assets	**10.65**	10.65	10.61	10.65	10.07
Average shares outstanding, basic	**311,495**	307,262	302,010	297,325	290,304
Average shares outstanding, diluted	**314,815**	310,330	304,928	301,197	295,850

(a) Consists of net interest income and non-interest income, excluding securities gains (losses).

(b) For the Financial Services segment.

(c) Determined by dividing dividends declared per share (excluding pooled subsidiaries) by diluted net income per share.

Table of Contents

Financial Review

Executive Summary

The following financial review provides a discussion of Synovus financial condition, changes in financial condition, and results of operations as well as a summary of Synovus critical accounting policies. This section should be read in conjunction with the preceding audited consolidated financial statements and accompanying notes.

About Our Business

Synovus is a diversified financial services holding company, based in Columbus, Georgia, with more than $27 billion in assets. Synovus operates two business segments: the Financial Services and the Transaction Processing Services (TSYS) segments. The Financial Services segment provides integrated financial services including banking, financial management, insurance, mortgage and leasing services through 39 banks and other Synovus offices in five southeastern states. At December 31, 2005, our banks ranged in size from $38 million to $4.8 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 mix: for 2005, 55% of our consolidated revenues and 30% of our consolidated 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
Deposit Growth
Net Interest Margin
Credit Quality
Fee Income Growth
Expense Management

TSYS

Revenue Growth
Expense Management

2005 Financial Performance vs. 2004

Consolidated

Net income $516.4 million, up 18.2%

Diluted earnings per share (EPS) $1.64, up 16.5%

Financial Services

Loan growth: 9.8%

Deposit growth: 11.9% (13.6% excluding brokered deposits).

Net interest margin before fees: 4.05%, up 13 basis points from 3.92% in 2004.

Net interest margin after fees: 4.19%, down 3 basis points from 4.22% in 2004.

Credit quality:

Nonperforming assets (NPA) ratio of .46%, down from .52% at year-end 2004, and

Past dues over 90 days as a percentage of total loans of .07% compared to .09% at year-end 2004, and

Net charge-off ratio of .29%, compared to .23% for 2004.

- Fee income growth: Unchanged from 2004 (up 5.1% excluding the $15.8 million pre-tax gain from the sale of the Quincy bank operations in 2004).

- General and administrative expenses: up 4% (9.4% increase excluding impact of acquisitions and change in classification methodology relating to loan origination costs).

- Net income growth: 14.0%

TSYS

- Net income growth: 29.2%

- Revenue growth before reimbursable items: 34.8% (10.3% excluding the impact of the acquisition of Vital and TSYS Prepaid).

- Expense growth before reimbursable items: 32.9% (10.2% excluding the impact of the acquisition of Vital and TSYS Prepaid).

- Accounts on file processed on TSYS systems increased 22.4% to 437.9 million at December 31, 2005, compared to 357.6 million at December 31, 2004.

Additionally, during 2005:

- TSYS acquired the remaining 50% interest in Vital Processing Services, L.L.C. (Vital) from Visa U.S.A. (Visa) effective March 1, 2005.

- TSYS signed an agreement with Capital One Financial Corporation (Capital One) to provide processing

services for its North American portfolio of consumer and small business credit card accounts.

TSYS successfully converted the account portfolio of JPMorgan Chase & Co. (Chase).

TSYS concluded its negotiations with Citibank related to continuing its processing services for the Sears, Roebuck and Co. card portfolio. TSYS received official notification that Citibank plans to migrate all of the Sears consumer MasterCard and private label accounts from TSYS in a deconversion that is scheduled to occur in May 2006. TSYS expects to continue supporting commercial-card accounts for Citibank, as well as Citibank s Banamex USA consumer accounts, according to the terms of the existing agreements for these portfolios.

In December 2005, TSYS received official notification from Bank of America of its intent to shift the processing of its consumer card portfolio in house in October 2006 in connection with the acquisition of MBNA Corporation (MBNA).

2005 was an excellent year, with both segments of our Company reporting very strong financial performance. Diluted earnings per share was $1.64, a 16.5% increase from 2004. For the Financial Services segment, the key drivers were loan growth of 9.8% (in line with our target); deposit growth (excluding brokered deposits) of 13.6% (above our expectations); a 13 basis point increase in the net interest margin before fees (slightly above our expectations); and good credit quality with a NPA ratio of .46% at year-end (down from .52% last year), a net charge-off ratio of .29% (in line with our goal of less than ..30%), and past dues greater than 90 days of .07% (the lowest level in our history). TSYS was another key driver in our financial results, with a net income increase of 29.2% (above our original expectation of 19%-22%).

2006 Earnings Outlook

Synovus expects its earnings per share growth for 2006 to be within the 12%-14% range, based in part upon the following assumptions:

Modest increases in short-term interest rates.

A favorable credit environment.

TSYS earnings growth in the 21% to 23% range.

Incremental (as compared to 2005) equity-based compensation expense of approximately 5 cents per diluted share, or 3.2% of reported 2005 diluted earnings per share.

Critical Accounting Policies

The accounting and financial reporting policies of Synovus conform to accounting principles generally accepted in the United States of America and to general practices within the banking and electronic payment processing industries. Following is a description of the accounting policies applied by Synovus which are deemed critical. 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.

Allowance for Loan Losses

The allowance for loan losses is determined based on an analysis which assesses the risk within the loan portfolio. The two most significant judgments or estimates made in the determination of the allowance for loan losses are the *risk ratings* for loans in the commercial loan portfolio and the *valuation* of the collateral for loans that are classified as impaired loans.

Commercial Loans Risk Ratings

Commercial loans are assigned a risk rating on a 9 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. Commercial loans that are not impaired represent 83.9% of total loans at December 31, 2005. The corresponding allowance for these loans was $190.3 million. The rating process is subject to certain subjective factors and estimates. 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 historical loss rates, bank regulatory guidance, and Synovus assessment of losses within each risk rating. The occurrence of certain events could result in changes to the loss factors. Accordingly, these loss factors are reviewed periodically and modified as necessary.

Financial Review

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 affiliate bank. Additionally, an independent holding company credit review function evaluates each affiliate bank s risk rating process at least every twelve to eighteen months.

Collateral Valuation

A majority of our impaired loans are collateral dependent. The allowance for loan losses 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 allocated allowance. Most of our collateral-dependent 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.

Loss Factors

The allocated allowance 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 generally based on average historical losses for the previous two years and current delinquency trends. The occurrence of certain events could result in changes to the loss factors. Accordingly, these loss factors are reviewed periodically and modified as necessary.

Other

Certain economic and interest rate factors could have a material impact on the determination of the allowance for loan losses and corresponding credit costs. The depth, duration, and dispersion of any economic recession all have an impact on the credit risk profile of the loan portfolio. Additionally, a rapidly rising interest rate environment could have a material impact on certain borrowers ability to pay.

Revenue Recognition

TSYS electronic payment processing services revenues are derived from long-term processing contracts with financial institutions and nonfinancial institutions and are generally recognized as the services are performed. Electronic payment processing services 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. Most of these contracts have prescribed annual revenue minimums. The original terms of processing contracts generally range from three to ten years and provide for penalties for early termination.

TSYS recognizes revenues in accordance with Staff Accounting Bulletin No. 104 (SAB No. 104), Revenue Recognition. SAB No. 104 sets forth guidance as to when revenue is realized or realizable and earned when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been performed; (3) the seller s price to the buyer is fixed or determinable; and (4) collectibility is reasonably assured.

TSYS evaluates its contractual arrangements that provide services to clients through a bundled sales arrangement in accordance with the Financial Accounting Standards Board s (FASB s) Emerging Issues Task Force Issue No. 00-21 (EITF 00-21), Revenue Arrangements with Multiple Deliverables. EITF 00-21 addresses the determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to separate units of accounting.

A deliverable in multiple element arrangements indicates any performance obligation on the part of the seller and includes any combination of obligations to perform different services, grant licenses or other rights. Revenue is allocated to the separate units of accounting in a multiple element arrangement based on relative fair values, provided the delivered element has standalone value to the customer, the fair value of any undelivered items is probable and substantially within TSYS control. Evidence of fair value must be objective and reliable. An item has value to the

customer on a standalone basis if it is sold separately by any vendor or the customer could resell the deliverable on a standalone basis.

On March 3, 2003, TSYS announced that Bank One Corp. (Bank One) had selected TSYS to upgrade its credit card processing. Under the long-term software licensing and services agreement, TSYS was to provide electronic payment processing services to Bank One s credit card accounts for at least two years starting in 2004 (excluding statement and card production services). Following the provision of processing services, TSYS was to license a modified version of its TS2 consumer and commercial software to Bank One through a perpetual license with a six-year payment term. TSYS used

Financial Review

the percentage-of-completion accounting method for its agreement with Bank One and recognized revenues in proportion to costs incurred. This agreement has been superseded by the agreement with Chase described below.

On July 1, 2004, Bank One and Chase merged under the name Chase. On October 13, 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. The agreement extended a relationship that started with TSYS and the former Bank One in March 2003. Pursuant to the revised agreement, the first phase of the project was executed successfully, and Bank One s remaining accounts were converted to the modified TS2 processing platform during the fourth quarter of 2004, according to the project s original schedule. Chase converted its consumer accounts to a modified version of TS2 in July 2005. TSYS expects to maintain the card-processing functions of Chase Card Services for at least two years. Chase Card Services then has 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 TS2 with a six-year payment term. TSYS revenues from Chase were less than 10% of TSYS total revenues for the year ended December 31, 2005.

As a result of the revised agreement with Chase, TSYS discontinued its use of the percentage-of-completion accounting method for the original agreement with Bank One. The revised agreement is accounted for in accordance with EITF 00-21, and other applicable guidance.

TSYS recognizes software license revenue in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, and SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions. For software licenses for which any services rendered are not considered essential to the functionality of the software, revenue is recognized upon delivery of the software, provided (1) there is evidence of an arrangement, (2) collection of the fee is considered probable, (3) the fee is fixed or determinable, and (4) vendor specific objective evidence (VSOE) exists to allocate revenue to the undelivered elements of the arrangement.

When services are considered essential to the functionality of the software licensed, revenues are recognized over the period that such services will be performed using the percentage-of-completion method in accordance with SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Progress during the period services are performed is measured by the percentage of costs incurred to date to estimated total costs for each arrangement as this is the best measure of progress. Provisions for estimated losses on incomplete contracts are made in the period in which such losses are determined. For license arrangements in which the fee is not considered fixed or determinable, the license revenue is recognized as payments become due.

TSYS merchant services revenues are derived from long-term processing contracts with large financial institutions and other merchant acquirers which generally range from three to eight years and provide for penalties for early termination. Merchant services revenues are generated primarily from processing all payment forms including credit, debit, electronic benefits transfer and check truncation for merchants of all sizes across a wide array of retail market segments. The products and services offered include authorization and capture of electronic transactions, clearing and settlement of electronic transactions, information reporting services related to electronic transactions, merchant billing services, and point-of-sale terminal sales and services. TSYS recognizes merchant services revenue as those services are performed, primarily on a per unit basis. Revenues on point-of-sale terminal equipment are recognized upon the transfer of ownership and shipment of product.

TSYS other service revenues are derived from recovery collections work, bankruptcy process management, legal account management, skip tracing, commercial printing activities, targeted loyalty programs, and customer relationship management services, such as call center activities for card activation, balance transfer requests, customer service and collection. The contract terms for these services are generally shorter in nature as compared with TSYS long-term processing contracts. Revenue is recognized on these other services as the services are performed either on a per unit or a fixed price basis.

Contract Acquisition Costs

TSYS capitalizes contract acquisition costs related to signing or renewing long-term contracts. TSYS capitalizes internal conversion costs in accordance with FASB Technical Bulletin No. 90-1, Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts. The capitalization of costs related to cash payments for rights to provide processing services is capitalized in accordance with the FASB s EITF Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendors Products), and SAB No. 104. These costs are amortized using the straight-line method over the contract term beginning when the client s cardholder accounts are con-

verted and producing revenues. All costs incurred prior to a signed agreement are expensed as incurred.

The amortization of contract acquisition costs associated with cash payments is recorded as a reduction of electronic payment processing services revenues in the consolidated statements of income. The amortization of contract acquisition costs associated with conversion activity is recorded as other operating expenses in the consolidated statements of income. TSYS evaluates the carrying value of contract acquisition costs associated with each customer for impairment on the basis of whether these costs are fully recoverable from expected undiscounted net operating cash flows of the related contract. The determination of expected undiscounted net operating cash flows requires management to make estimates.

These costs may become impaired with the loss of a contract, the financial decline of a client, termination of conversion efforts after a contract is signed, diminished prospects for current clients, or if TSYS actual results differ from its estimates of future cash flows.

Software Development Costs

In accordance with FASB Statement No. 86, Computer Software to be Sold, Leased or Otherwise Marketed, software development costs are capitalized once technological feasibility of the software product has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when TSYS has completed a detailed program design and has determined that a product can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the product is generally available to clients. At each balance sheet date, TSYS evaluates the unamortized capitalized costs of software development as compared to the net realizable value of the software product which is determined by expected undiscounted net operating cash flows. The amount by which the unamortized software development costs exceed the net realizable value is written off in the period that such determination is made. Software development costs are amortized using the greater of (1) the straight-line method over its estimated useful life, which ranges from three to ten years or (2) the ratio of current revenues to total anticipated revenues over its useful life.

TSYS also develops software that is used internally. These software development costs are capitalized based upon SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Internal-use software development costs are capitalized once (1) the preliminary project stage is completed, (2) management authorizes and commits to funding a computer software project, and (3) it is probable that the project will be completed, and the software will be used to perform the function intended. Costs incurred prior to meeting these qualifications are expensed as incurred. Capitalization of costs ceases when the project is substantially complete and ready for its intended use. Internal-use software development costs are amortized using an estimated useful life of three to five years. Software development costs may become impaired in situations where development efforts are abandoned due to the viability of the planned project becoming doubtful or due to technological obsolescence of the planned software product.

Transaction Processing Provisions

TSYS has recorded estimates to accrue for contract contingencies (performance penalties) and processing errors. A significant number of TSYS contracts with large clients contain service level agreements, which can result in TSYS incurring performance penalties if contractually required service levels are not met. When providing these accruals, TSYS takes into consideration such factors as the prior history of performance penalties and processing errors incurred, actual contractual penalties inherent in its contracts, progress towards milestones, and known processing errors not covered by insurance.

These accruals are included in other liabilities in the accompanying consolidated balance sheets. Increases and decreases in transaction processing provisions are charged to other processing expenses in the consolidated statements of income, and payments or credits for performance penalties and processing errors are charged against the accrual.

Table of Contents

Financial Review

Acquisitions

Table 1 summarizes the acquisitions completed during the past three years.

Table 1 Acquisitions

(Dollars in thousands) **Company and Location**	**Date Closed**	**Total Assets**	**Shares Issued**	**Cash**
Vital Processing Services, L.L.C. (Vital) Tempe, Arizona	March 1, 2005	$ 128,679		$ 95,794
Clarity Payment Solutions, Inc. (TSYS Prepaid, Inc.) New York, New York	August 2, 2004	74,430		53,000
Trust One Bank Memphis, Tennessee	June 1, 2004	513,000	3,841,302	
Peoples Florida Banking Corporation Palm Harbor, Florida	January 30, 2004	324,000	1,636,827	32,100
Enhancement Services Corporation Roswell, Georgia	April 28, 2003	43,230		36,000
United Financial Holdings, Inc. St. Petersburg, Florida	February 28, 2003	490,000	2,388,087	34,000
FNB Newton Bancshares, Inc. Covington, Georgia	February 27, 2003	445,000	2,253,627	46,408
GLOBALT, Inc. Atlanta, Georgia	May 31, 2002	23,000	702,433	

This information is discussed in further detail in Note 2 of the consolidated financial statements.

Earning Assets, Sources of Funds, and Net Interest Income

Earning Assets and Sources of Funds

Average total assets for 2005 were $26.3 billion or 13.0% over 2004 average total assets of $23.3 billion. Average earning assets for 2005 were $23.3 billion, which represented 88.5% of average total assets. Average earning assets increased $2.7 billion, or 13.1%, over 2004. The $2.7 billion increase consisted primarily of a $2.5 billion increase in average net loans and a $240 million increase in average investment securities available for sale. The primary funding source for this earning asset growth was a $2.6 billion increase in average deposits. Average shareholders equity for 2005 was $2.8 billion, which represents an increase of $320 million over 2004.

For 2004, average total assets increased $2.9 billion, or 14.0% from 2003. Average earning assets for 2004 were $20.6 billion, which represented 88.4% of average total assets. For more detailed information on the average balance sheets for the years ended December 31, 2005, 2004, and 2003, refer to Table 3.

Net Interest Income

Net interest income (interest income less interest expense) is a major component of net income, representing the earnings of the primary business of gathering funds from customer deposits and other sources and investing those funds in loans and investment securities. Our long-term objective is to manage those assets and liabilities to maximize net interest income while balancing interest rate, credit, liquidity, and capital risks.

Net interest income is presented in this discussion on a tax-equivalent basis, so that the income from assets exempt from federal income taxes is adjusted based on a statutory marginal federal tax rate of 35% in all years (See Table 2). The net interest margin is defined as taxable-equivalent net interest income divided by average total interest earning assets and provides an indication of the efficiency of the earnings from balance sheet activities. The net interest margin is affected by changes in the spread between interest earning asset yields and interest bearing liability costs (spread rate), and by the percentage of interest earning assets funded by non-interest bearing funding sources.

Table of Contents

Financial Review

Net interest income for 2005 was $968.8 million, up $108.2 million, or 12.6%, from 2004. On a taxable-equivalent basis, net interest income was $975.3 million, up $107.6 million, or 12.4%, over 2004. During 2005, average interest earning assets increased $2.7 billion, or 13.1%, with the majority of this increase attributable to loan growth. Increases in the level of deposits and other borrowed funds were the primary funding sources for the increase in earning assets.

During the third quarter of 2004, Synovus reassessed the standard loan origination costs and classification methodology used in conjunction with its accounting for loan origination fees and costs. As part of this assessment, Synovus changed its methodology and now recognizes these costs netted against origination fees over the life of the respective loans as an adjustment of yield (interest income). Synovus had previously recognized fee income over the life of its loans after recognizing a portion of fee income upon loan origination to offset origination costs. The new methodology was implemented on a prospective basis effective October 18, 2004. The change was not material to Synovus financial position, results of operations, or cash flows. The new methodology did, however, result in a decrease in general and administrative expenses of $37.7 million for 2005 as compared to 2004 with a corresponding decrease (of approximately the same amount) in interest income and the net interest margin compared to 2004.

Net Interest Margin

The net interest margin after fees was 4.19% for 2005, down 3 basis points from 2004. This decrease was due to the aforementioned change in classification methodology for loan origination fees and costs. The net interest margin before fees was 4.05% in 2005, up 13 basis points from 3.92% in 2004. This increase resulted from a 95 basis point increase in the yield on earning assets, which was partially offset by an 82 basis point increase in the effective cost of funds, which includes non-interest bearing funding sources, primarily demand deposits.

The primary increase in the yield on earning assets came from increased yields on loans before fees. Loan yields increased 105 basis points, primarily due to increased yields on the variable rate portion of the loan portfolio, which was approximately 65% of total loans in 2005. These loan yields were favorably impacted by a 185 basis point increase in the average prime rate in 2005 as compared to 2004. The primary factors driving the 82 basis point increase in the effective cost of funds were an 86 basis point increase in the cost of time deposits and a 135 basis point increase in the cost of money market accounts. These rate increases were a result of the higher interest rate environment as well as strong growth in these accounts as consumer behavior shifted to take advantage of higher yielding deposit accounts.

The net interest margin was 4.22% for 2004, down 4 basis points from 2003. This decrease resulted from a 24 basis point decrease in the yield on earning assets, which was partially offset by a 20 basis point decrease in the effective cost of funds. The primary earning assets of the Company, loans and investment securities, experienced declines in yields during 2004. Loan yields decreased 25 basis points, primarily due to the impact of the historically low interest rate environment on fixed rate loan yields and the continuation of a customer-driven shift in the loan portfolio to a higher level of variable rate loans. Investment security yields declined 33 basis points, primarily due to the maturity and runoff of older, higher yielding securities. Reinvestment of these cash flows at lower yields had a negative impact on realized securities yields.

Table 2 Net Interest Income

(In thousands)	Years Ended December 31,		
	2005	**2004**	**2003**
Interest income	$ **1,496,225**	1,159,020	1,061,492
Taxable-equivalent adjustment	**6,439**	6,960	7,388
Interest income, taxable-equivalent	**1,502,664**	1,165,980	1,068,880

Interest expense		**527,378**	298,341	298,428
Net interest income, taxable-equivalent	**$**	**975,286**	867,639	770,452

Table of Contents

Financial Review

Table 3 Consolidated Average Balances, Interest, and Yields

(Dollars in thousands)	**2005**			**2004**			**2003**		
	Average Balance	**Interest**	**Yield/ Rate**	**Average Balance**	**Interest**	**Yield/ Rate**	**Average Balance**	**Interest**	**Yield/ Rate**
Assets									
Interest earning assets:									
Taxable loans, net(a)(b)	**$ 20,406,102**	**1,372,428**	**6.73%**	$ 17,881,572	1,048,337	5.86%	$ 15,556,295	948,351	6.10%
Tax-exempt loans, net(a)(b)(c)	**63,582**	**4,265**	**6.71**	71,394	4,257	5.96	69,924	4,950	7.08
Allowance for loan losses	**(279,534)**			(247,054)			(220,004)		
Loans, net	**20,190,150**	**1,376,693**	**6.82**	17,705,912	1,052,594	5.94	15,406,215	953,301	6.19
Investment securities available for sale:									
Taxable investment securities	**2,609,113**	**98,728**	**3.78**	2,366,631	88,560	3.74	2,065,924	83,727	4.05
Tax-exempt investment securities(c)	**216,773**	**15,044**	**6.94**	230,815	16,268	7.05	235,401	16,920	7.19
Total investment securities	**2,825,886**	**113,772**	**4.03**	2,597,446	104,828	4.04	2,301,325	100,647	4.37
Trading account assets	**11,380**	**642**	**5.64**						
Interest earning deposits with	**6,362**	**172**	**2.70**	4,197	32	0.76	4,515	25	0.55

banks									
Federal funds sold and securities purchased under resale agreements	**120,809**	**4,082**	**3.38**	148,685	1,945	1.31	111,893	1,546	1.38
Mortgage loans held for sale	**113,969**	**7,303**	**6.41**	117,479	6,581	5.60	254,240	13,361	5.26
Total interest earning assets	**23,268,556**	**1,502,664**	**6.46**	20,573,719	1,165,980	5.67	18,078,188	1,068,880	5.91
Cash and due from banks	**706,158**			655,069			594,097		
Premises and equipment, net	**913,551**			855,197			714,255		
Other real estate	**22,690**			26,420			28,273		
Other assets(d)	**1,380,535**			1,164,596			998,040		
Total assets	**$ 26,291,490**			$ 23,275,001			$ 20,412,853		
Liabilities and Shareholders Equity									
Interest bearing liabilities:									
Interest bearing demand deposits	**$ 2,975,016**	**35,085**	**1.18**	$ 2,762,104	16,764	0.61	$ 2,515,161	17,779	0.71
Money market accounts	**5,193,943**	**132,739**	**2.56**	4,481,042	54,387	1.21	3,695,601	41,086	1.11
Savings deposits	**555,205**	**1,958**	**0.35**	548,736	1,002	0.18	502,246	1,243	0.25
Time deposits (less brokered time deposits)	**4,918,781**	**150,809**	**3.07**	4,481,935	103,683	2.31	5,121,955	138,717	2.71
Brokered time deposits	**2,557,660**	**86,714**	**3.39**	1,730,937	40,448	2.34	726,316	18,736	2.58
Federal funds purchased and securities	**1,103,005**	**31,569**	**2.86**	1,479,815	19,286	1.30	1,101,216	11,829	1.07

sold under repurchase agreements									
Long-term debt	**2,087,749**	**88,504**	**4.24**	1,718,556	62,771	3.65	1,639,487	69,038	4.21
Total interest bearing liabilities	**19,391,359**	**527,378**	**2.72**	17,203,125	298,341	1.73	15,301,982	298,428	1.95
Non-interest bearing demand deposits	**3,408,289**			3,048,465			2,501,539		
Other liabilities	**692,346**			544,007			442,555		
Shareholders equity	**2,799,496**			2,479,404			2,166,777		
Total liabilities and shareholders equity	**$ 26,291,490**			$ 23,275,001			$ 20,412,853		
Net interest income/margin		**975,286**	**4.19%**		867,639	4.22%		770,452	4.26%
Taxable-equivalent adjustment		**(6,439)**			(6,960)			(7,388)	
Net interest income, actual		**$ 968,847**			$ 860,679			$ 763,064	

(a) Average loans are shown net of unearned income. Nonperforming loans are included.
(b) Interest income includes loan fees as follows: 2005 - $33.5 million, 2004 - $60.4 million, 2003 - $65.7 million.
(c) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35%, in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.
(d) Includes average net unrealized gains (losses) on investment securities available for sale of ($22.6) million, $12.6 million, and $48.8 million for the years ended December 31, 2005, 2004, and 2003, respectively.

Table of Contents

Financial Review

Table 4 Rate/Volume Analysis

(In thousands)	2005 Compared to 2004			2004 Compared to 2003		
	Change Due to (a)			Change Due to (a)		
	Volume	Yield/ Rate	Net Change	Volume	Yield/ Rate	Net Change
Interest earned on:						
Taxable loans, net	**$ 147,937**	**176,154**	**324,091**	141,842	(41,856)	99,986
Tax-exempt loans, net (b)	**(466)**	**474**	**8**	104	(797)	(693)
Taxable investment securities	**9,069**	**1,099**	**10,168**	12,179	(7,346)	4,833
Tax-exempt investment securities (b)	**(990)**	**(234)**	**(1,224)**	(330)	(322)	(652)
Trading account assets	**642**		**642**			
Interest earning deposits with banks	**16**	**124**	**140**	(2)	9	7
Federal funds sold and securities purchased under resale agreements	**(365)**	**2,502**	**2,137**	508	(109)	399
Mortgage loans held for sale	**(197)**	**919**	**722**	(7,194)	414	(6,780)
Total interest income	**155,646**	**181,038**	**336,684**	147,107	(50,007)	97,100
Interest paid on:						
Interest bearing demand deposits	**1,299**	**17,022**	**18,321**	1,753	(2,768)	(1,015)
Money market accounts	**8,626**	**69,726**	**78,352**	8,718	4,583	13,301
Savings deposits	**12**	**944**	**956**	116	(357)	(241)
Time deposits (excluding brokered time deposits)	**10,091**	**37,035**	**47,126**	(16,728)	(18,306)	(35,034)
Brokered time deposits	**19,345**	**26,921**	**46,266**	26,536	(4,824)	21,712
Federal funds purchased and securities sold under repurchase agreements	**(4,899)**	**17,182**	**12,283**	4,051	3,406	7,457
Other borrowed funds	**13,476**	**12,257**	**25,733**	3,329	(9,596)	(6,267)
Total interest expense	**47,950**	**181,087**	**229,037**	27,775	(27,862)	(87)

Net interest income	**$ 107,696**	**(49)**	**107,647**	119,332	(22,145)	97,187

(a) The change in interest due to both rate and volume has been allocated to the rate component.

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

Non-Interest Income

Non-interest income consists of TSYS revenues as well as a wide variety of fee generating services from the Financial Services segment. Consolidated non-interest income was $1.92 billion, $1.52 billion, and $1.37 billion for the years ended December 31, 2005, 2004 and 2003, respectively. TSYS combined revenues represented 82.9% of consolidated non-interest income in 2005 compared to 78.5% in 2004.

Non-interest income excluding reimbursable items totaled $1.6 billion in 2005, an increase of 24.4% from 2004. For 2004, non-interest income excluding reimbursable items was $1.3 billion, an increase of 12.9% from 2003. Revenues from electronic payment processing, merchant services, and other transaction processing services offered by TSYS were the largest contributors, increasing $336 million, or 35.3% in 2005, and increasing $130.8 million, or 15.9% in 2004 over the previous year. Reported Financial Services non-interest income was $327.4 million in 2005, flat compared to 2004. Excluding amounts related to acquisitions and divestitures completed in 2005 and 2004, Financial Services non-interest income was up $15.3 million or 5% over 2004. Financial Services non-interest income was $327.4 million in 2004, an increase of $16.4 million or 5.3% over 2003.

Financial Review

Transaction Processing Services

TSYS revenues are derived from providing electronic payment processing and related services to financial and nonfinancial institutions, generally under long-term processing contracts. TSYS services are provided primarily through TSYS cardholder systems, TS2 and TS1, to financial institutions and other organizations throughout the United States, Mexico, Canada, Honduras, Puerto Rico and Europe. TSYS currently offers merchant services to financial institutions and other organizations in the United States and Japan through its wholly owned subsidiary Vital and its majority owned subsidiary, GP Net.

The following table summarizes TSYS accounts on file at December 31, 2005, 2004, and 2003.

Accounts on File (AOF) Information *(in millions)*				**Percent Change**	
	2005	**2004**	**2003**	**2005 vs. 2004**	**2004 vs. 2003**
At December 31	**437.9**	357.6	273.9	22.4%	30.5%
YTD Average	**401.1**	303.1	262.6	32.3	15.4

Major Customers

A significant amount of TSYS revenues is derived from long-term contracts with large clients, including its major customer, Bank of America. TSYS derives revenues from providing various processing and other services to this client, including processing of consumer and commercial accounts, as well as revenues for reimbursable items. With the acquisition of Vital on March 1, 2005, TSYS revenues include revenues derived from providing merchant processing services to Bank of America.

On January 25, 2005, TSYS announced that it had extended its agreement with Bank of America for an additional five years through 2014. Additionally, during the third quarter of 2005, Vital announced the renewal of its agreement to provide merchant processing services to Bank of America.

During the second quarter of 2005, Bank of America announced its planned acquisition of MBNA. In December 2005, TSYS received official notification from Bank of America of its intent, pending its acquisition of MBNA, to shift the processing of its consumer card portfolio in house in October 2006. On January 1, 2006, Bank of America s acquisition of MBNA was completed. TSYS expects to continue providing commercial and small business card processing for Bank of America and MBNA, as well as merchant processing for Bank of America, according to the terms of the existing agreements for those services.

In 2005, all relationships with Bank of America and MBNA generated a combined total of $382.4 million in revenues, or 23.9% and 13.2% of TSYS and Synovus total revenues, respectively. TSYS projects an annualized loss of approximately $243.3 million in revenues upon deconversion of the consumer card portfolio that Bank of America plans to move in house, or approximately 15.2% of TSYS total revenues in 2005. Excluding reimbursable items, TSYS projects an annualized reduction of approximately $143.8 million in revenues from the loss of the consumer card portfolio, which is approximately 11.1% and 5.6% of TSYS and Synovus total revenues in 2005, respectively.

TSYS processing agreement with Bank of America provides that Bank of America may terminate its agreement with TSYS for consumer credit card services upon the payment of a termination fee, the amount of which is dependent upon several factors. Based upon the expected October 2006 deconversion date, this fee is estimated to be approximately $69 million. As a result of the expected deconversion in October 2006, TSYS will accelerate the amortization of approximately $7 million in contract acquisition costs.

Bank of America accounted for approximately 22.3%, 18.5% and 18.2% of TSYS total revenues for the years ended December 31, 2005, 2004 and 2003, respectively. Bank of America accounted for approximately 17.8%, 14.9% and 14.6% of TSYS revenues before reimbursable items for the years ended December 31, 2005, 2004 and 2003, respectively. Bank of America accounted for approximately 12.4%, 9.2% and 9.0% of Synovus total revenues and accounted for approximately 8.9%, 6.6% and 6.3% of Synovus revenues before reimbursable items for the years ended December 31, 2005, 2004 and 2003, respectively. The majority of the increase in revenues including reimbursables derived from Bank of America for 2005, as compared to 2004, is the result of including Vital s revenues for merchant services from Bank of America. The loss of Bank of America could have a material adverse effect on Synovus and TSYS financial position, results of operations and cash flows. Synovus and TSYS management believe that the loss of revenues from the Bank of America consumer card portfolio for the months of 2006 subsequent to the expected deconversion, combined with decreased expenses from the reduction in hardware and software and the redeployment of personnel, should not have a material adverse effect on TSYS or Synovus financial position, results of operations or cash flows for the year ending December 31, 2006. However, TSYS management believes that the termination fee associated with the Bank of America deconversion, offset by the loss of processing revenues subsequent to the deconversion and the accelerated amortization of contract acquisition costs, will have a positive

effect on TSYS financial position, results of operations and cash flows for the year ending December 31, 2006.

TSYS has a long-term processing relationship with Providian Financial Corp. (Providian), one of the largest bankcard issuers in the nation, until 2013. On October 1, 2005, Washington Mutual Inc. (WAMU) completed the acquisition of Providian. WAMU accounted for approximately 3.9%, 8.0% and 10.4% of TSYS total revenues for the years ended December 31, 2005, 2004 and 2003, respectively. The decrease in revenues is the result of a change in the types of services TSYS offers to WAMU, such as statements and card personalization, as well as the decrease in the number of accounts processed.

TSYS works to maintain a large and diverse customer base across various industries. However, in addition to its major customer, TSYS has other large clients representing a significant portion of its total revenues. The loss of any one of TSYS large clients could have a material adverse effect on TSYS financial position, results of operations and cash flows.

International Revenue

Total revenues from clients based in Europe were $131.9 million for 2005, a 29.8% increase over the $101.6 million in 2004, which was a 48.1% increase over the $68.6 million in 2003. The growth in revenues in 2005 from clients based in Europe was a result of the growth of existing clients, the conversion of new accounts, the effect of currency translation and the increased use of value added products and services by clients in Europe.

Total revenues from clients based in Mexico were $7.6 million for 2005, a 32.0% decrease from the $11.2 million in 2004, which was a 64.2% decrease from the $31.4 million in 2003. During 2003, TSYS largest client in Mexico notified TSYS that the client would be utilizing its internal global platform and deconverted in the fourth quarter of 2003. This client represented approximately 70% of TSYS revenues from Mexico. Another Mexican client notified TSYS of its intentions to utilize its internal global platform and deconverted in mid-2004. This client represented approximately 21% of TSYS revenues from Mexico prior to the deconversions. TSYS management believes that Mexico remains a viable market and plans to continue providing processing services to its existing clients in Mexico, as well as pursue additional business from potential clients in Mexico.

Value Added Products and Services

TSYS electronic payment processing services revenues are also impacted by the use of optional value added products and services that are integrated within TSYS processing systems. Value added products and services are optional features to which each client can choose to subscribe in order to potentially increase the financial performance of its portfolio. Value added products and services are included mainly in electronic payment processing services revenues.

For the years ended December 31, 2005, 2004 and 2003, value added products and services represented 12.6%, 13.8% and 14.1% of TSYS total revenues, respectively. Revenues from these products and services, which include some reimbursable items paid to third-party vendors, increased 23.2%, or $38.0 million, for 2005 compared to 2004, and increased 10.8%, or $16.0 million, for 2004 compared to 2003.

Electronic Payment Processing Services

Electronic payment processing services 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 number of cardholder accounts processed by TSYS 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.

Electronic payment processing services revenues increased 14.9%, or $112.6 million, for the year ended December 31, 2005, compared to the year ended December 31, 2004, which increased 7.7%, or $54.2 million, compared to the year ended December 31, 2003.

In August, 2005, TSYS finalized a five year definitive agreement with Capital One to provide processing services for its North American portfolio of consumer and small business credit card accounts. TSYS plans to complete the

conversion of Capital One s portfolio from its in-house processing system to TS2 in phases, beginning in mid-2006 and ending in early 2007. TSYS expects to maintain the card processing functions of Capital One for at least five years. After a minimum of three years of processing with TSYS, the agreement provides Capital One the opportunity to license TS2 under a long-term payment structure.

TSYS is in the process of completing the analysis of the accounting for the Capital One contract. Current 2006 earnings estimates assume that TSYS will defer revenues and costs associated with converting, processing and servicing the Capital One portfolio.

Table of Contents

Financial Review

On March 3, 2003, TSYS announced that Bank One had selected TSYS to upgrade its credit card processing. Under the long-term software licensing and services agreement, TSYS was to provide electronic payment processing services to Bank One s credit card accounts for at least two years starting in 2004 (excluding statement and card production services). Following the provisions of processing services, TSYS was to license a modified version of its TS2 consumer and commercial software to Bank One under a perpetual license with a six-year payment term. This agreement has been superseded by the agreement with Chase described below. TSYS used the percentage-of-completion accounting method for its agreement with Bank One and recognized revenues in proportion to costs incurred. TSYS revenues from Bank One were less than 10% of TSYS total revenues in 2005 and 2004, respectively.

On January 20, 2004, Circuit City Stores, Inc. (Circuit City) announced an agreement to sell its private-label credit card business to Bank One.

On July 1, 2004, Bank One and Chase merged under the name Chase. On October 13, 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. The new agreement replaced the agreement TSYS and the former Bank One agreed to in March 2003. Pursuant to the revised agreement, the first phase of the project was executed successfully, and Bank One s remaining accounts were converted to the modified TS2 processing platform during the fourth quarter of 2004, according to the project s original schedule. TSYS converted the consumer accounts of Chase to the modified version of TS2 in July 2005. TSYS expects to maintain the card-processing functions of Chase Card Services for at least two years. Chase Card Services then has 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 TS2 with a six-year payment term.

As a result of the new agreement with Chase, TSYS discontinued its use of the percentage-of-completion accounting method for the original agreement with Bank One. The revised agreement is being accounted for in accordance with EITF 00-21, which is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003, and other applicable guidance.

TSYS and Synovus management expects that the 2006 earnings per share (EPS) impact of the agreement will be $0.11-$0.12 per TSYS diluted share and $0.05-$0.06 per Synovus diluted share. Beyond 2006, the annual EPS impact of the agreement will depend upon Chase Card Services option to either extend the processing agreement for up to five additional two-year periods or to migrate the portfolio in-house under a perpetual license of a modified version of TS2 with a six-year payment term.

In October 2003, Circuit City announced that it had sold its Visa and MasterCard portfolio, which includes credit card receivables and related cash reserves, to FleetBoston. On March 31, 2004, Bank of America acquired FleetBoston. In connection with the extended agreement with Bank of America, TSYS converted the FleetBoston card portfolio to TSYS processing system in March 2005.

In July 2003, Sears and Citigroup announced an agreement for the sale by Sears to Citigroup of the Sears credit card and financial services businesses. During the year ended December 31, 2005, TSYS revenues from the agreement with Sears represented less than 10% of TSYS consolidated revenues. The TSYS/ Sears agreement granted to Sears the one-time right to market test TSYS pricing and functionality after May 1, 2004, which right was exercised by Citigroup. In June 2005, TSYS announced that Citigroup will move the Sears consumer MasterCard and private-label accounts from TSYS in a deconversion that is expected to occur in May 2006. TSYS expects to continue supporting commercial card accounts for Citibank, as well as Citibank s Banamex USA consumer accounts, according to the terms of the existing agreements for those portfolios. TSYS management believes that the loss of revenues from the Sears portfolio for the months of 2006 subsequent to the expected deconversion, combined with decreased expenses from the reduction in hardware and software and the redeployment of personnel, should not have a material adverse effect on TSYS financial position, results of operations or cash flows for the year ending December 31, 2006.

On August 2, 2004, TSYS completed the acquisition of Clarity Payment Solutions, Inc. (Clarity). Clarity was renamed TSYS Prepaid. TSYS Prepaid is a provider of prepaid card solutions that utilize the Visa, MasterCard, EFT and ATM networks for Fortune 500 companies as well as domestic and international financial institutions. For the year ended December 31, 2005, TSYS revenues include $19.6 million related to revenues from TSYS Prepaid, compared to $8.2 million in 2004, and are included in electronic payment processing services.

Financial Review

Merchant Services

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

On March 1, 2005, TSYS acquired the remaining 50% of Vital from Visa for $95.8 million in cash, including $794,000 of direct acquisition costs. Vital is now a separate, wholly owned subsidiary of TSYS. As a result of the acquisition of control of Vital, TSYS changed from the equity method of accounting for the investment in Vital and began consolidating Vital s balance sheet and results of operations.

Revenues from merchant services consist of revenues generated by TSYS wholly owned subsidiary, Vital, and majority owned subsidiary, GP Net. Merchant services revenue for the years ended December 31, 2005 and 2004 were $237.4 million and $26.2 million, respectively. The increase is attributable to the consolidation of Vital s results effective March 1, 2005. Prior to the acquisition of Vital, TSYS revenues included fees TSYS charged to Vital for back-end processing support.

Vital s results are driven by the transactions processed at the point-of-sale and the number of outgoing transactions. Vital s main point-of-sale service deals with authorizations and data capture transactions primarily through dial-up or the Internet.

Other Transaction Processing Services Revenue

Revenues from other transaction processing services consist primarily of revenues generated by TSYS business process management services, as well as TSYS wholly owned subsidiaries not included in electronic payment processing services or merchant services.

Other transaction processing services revenue increased $12.5 million, or 7.3%, in 2005, compared to 2004. In 2004, revenues from other services increased $50.4 million, or 41.8%, compared to 2003. Other transaction processing services revenue increased primarily as a result of increased debt collection services performed by TSYS Total Debt Management, Inc. (TDM) and the revenues associated with Enhancement Services Corporation (ESC).

On April 28, 2003, TSYS completed the acquisition of ESC. For the year ended December 31, 2005, TSYS revenues include $27.1 million related to ESC s revenues and are included in other transaction processing services revenue, compared to $21.5 million for 2004 and $11.9 million in 2003.

Equity in Income of Joint Ventures

TSYS share of income from its equity in joint ventures was $6.1 million, $23.7 million and $17.8 million for 2005, 2004 and 2003, respectively. The decrease for 2005 is the result of TSYS purchase of the remaining 50% of the equity of Vital on March 1, 2005 and the subsequent inclusion of Vital s operating results in TSYS statements of income. The increase in 2004 was primarily the result of improvements in Vital s operating results from increased volumes. These amounts are reflected as a component of other operating income in the consolidated statements of income.

Financial Services

Financial Services total non-interest income was $327.4 million, $327.4 million, and $311.0 million for the years ended December 31, 2005, 2004, and 2003, respectively. Table 5 shows the principal components of Financial Services non-interest income.

Service charges on deposits represent the single largest fee income component for Financial Services. Service charges on deposits totaled $112.8 million in 2005, a decrease of 7.1% from the previous year, and $121.5 million in 2004, an increase of 12.8% from 2003. Service charges on deposit accounts consist of non-sufficient funds (NSF) fees (which represent approximately two thirds of the total), account analysis fees, and all other service charges. Account analysis fees were the primary driver for the decrease in service charges on deposits declining $4.5 million or 22%

from 2004 levels. The decrease is mainly due to higher earnings credits on commercial demand deposit accounts (DDA). All other service charges on deposit accounts, which consist primarily of monthly fees on consumer DDA and savings accounts, were down $2.4 million or 8.5% compared to 2004. The decline in all other service charges was largely due to growth in the number of checking accounts with no monthly service charge. As most of the industry, we experienced a decrease in NSF fees, with a year-over-year decrease of $1.8 million or 2.4%. However, within the year, the trend continued to improve, as sequential quarter NSF fees (on a per business day basis) increased in each of the last three quarters of 2005.

Table of Contents

Financial Review

Bankcard fees totaled $37.6 million in 2005, an increase of 24.7% over the previous year, and $30.2 million in 2004, an increase of 17.2% from 2003. Bankcard fees consist of credit card merchant and interchange fees and debit card interchange fees. Debit card interchange fees were $15.2 million in 2005, an increase of 43.3% over 2004. Credit card fees were $22.4 million in 2005, up 14.7% compared to 2004.

Fiduciary and asset management fees are derived from providing estate administration, employee benefit plan administration, personal trust, corporate trust, investment management and financial planning services. At December 31, 2005 and 2004, the market value of assets under management was approximately $8.6 billion and $10.1 billion, respectively. Assets under management decreased 14.9% due primarily to the loss of one account. Assets under management consist of all assets where Synovus has investment authority as well as our proprietary mutual funds. Assets under advisement were approximately $3.6 billion and $2.6 billion at December 31, 2005 and 2004, respectively. Assets under advisement consist of non-managed assets as well as non-custody assets where Synovus earns a consulting fee. Assets under advisement increased 37.9% over 2004. Total assets under management and advisement by Synovus were $12.2 billion in 2005 compared to $12.7 billion in 2004. The increase in fiduciary and asset management fees is primarily due to higher basis points on average being earned on managed assets in 2005.

At December 31, 2004 and 2003, the market value of total assets under management and advisement was approximately $12.7 billion and $11.7 billion, respectively. These assets increased 8.7% due to appreciation in the equity markets as well as gross new business of $1.7 billion.

Brokerage and investment banking revenue was $24.5 million in 2005, a 12.6% increase over the $21.7 million in 2004. Brokerage assets were $4.2 billion and $3.1 billion as of December 31, 2005 and 2004, respectively. The increase in revenue was primarily due to the expansion of our Capital Markets unit in 2005.

Total brokerage and investment banking revenue for 2004 was $21.7 million, up 6.3% over 2003. The increase in revenue was mainly driven by an increase in the amount of fee-based assets held versus assets in traditional brokerage accounts.

Mortgage banking income was $28.7 million in 2005, a 9.1% increase from 2004 levels. Mortgage production volume increased 9% to $1.5 billion in 2005, compared to $1.4 billion in 2004. Secondary marketing gains were the primary driver for the increase in mortgage banking income over 2004.

Total mortgage banking income for 2004 was $26.3 million, down 55.1% from 2003 levels. Total mortgage production volume was $1.4 billion in 2004, compared to $2.7 billion in 2003.

Other fee income includes fees for letters of credit, safe deposit box fees, access fees for automatic teller machine use, official check issuance fees, and other miscellaneous fee-related income. The increase for 2005 was primarily due to additional fee income generated from customer interest rate swap transactions of $3.0 million. For the year ended December 31, 2004, $3.1 million of the total increase was due to increases in letter of credit fees.

Other operating income was $45.0 million in 2005, compared to $54.7 million in 2004. The main components of other operating income are income from company-owned life insurance policies, insurance commissions, and other items discussed below.

Other operating income includes a $4.1 million gain from a private equity investment in 2005 and a $15.8 million gain from the sale of a banking location in 2004.

Table 5 Non-Interest Income - Financial Services Segment

(In thousands)	**2005**	**2004**	**2003**
Service charges on deposits	**$ 112,788**	121,450	107,697
Fiduciary and asset management fees	**45,453**	43,757	39,922
Brokerage and investment banking revenue	**24,487**	21,748	20,461

Mortgage banking income	**28,682**	26,300	58,633
Bankcard fees	**37,638**	30,174	25,751
Securities gains, net	**463**	75	2,491
Other fee income	**32,914**	29,227	23,682
Other operating income	**44,987**	54,710	32,386
Total non-interest income	**$ 327,412**	327,441	311,023

Non-Interest Expense

Management analyzes non-interest expense in two separate components: Financial Services and Transaction Processing Services. Table 6 summarizes this data for the years ended December 31, 2005, 2004, and 2003.

Table of Contents

Financial Review

Financial Services
2005 vs. 2004

Reported total non-interest expense for the Financial Services segment increased $25 million or 4.0% over 2004. This moderate increase reflects the impact of the change in classification methodology for loan origination costs, which was implemented on a prospective basis on October 18, 2004 as described in the section titled Earning Assets, Sources of Funds, and Net Interest Income . The increase for 2005, excluding the impact of the change in loan origination costs classification methodology and the impact of acquisitions and divestitures, was 9.4%.

Total employees were 6,639 at December 31, 2005, up 189 from 6,450 employees at December 31, 2004.

Total **salaries and other personnel expense** increased $5.7 million or 1.6% in 2005 compared to 2004. In addition to normal merit and promotional salary adjustments, this category is impacted by certain items as follows:

The change in classification methodology for recording loan origination fees and costs (described in Earning Assets, Sources of Funds, and Net Interest Income) resulted in a decrease in salaries and other personnel expense of $37.7 million.

Total performance-based incentive compensation was approximately $51.1 million in 2005, a $14.4 million increase from 2004 levels.

The total increase related to the net effect of acquisitions and divestitures completed in 2004 was $2.0 million.

Net occupancy and equipment expense increased $8.4 million or 10.2% during 2005. Approximately $1.0 million of the total increase was related to the net effect of acquisitions and divestitures completed in 2004. Rent expense increased by approximately $1.1 million during 2005. Repairs and maintenance expense on equipment increased by $1.2 million. Amortization on the S-Link technology platform implemented in 2004 represented $1.3 million of the increase.

Other operating expenses increased $11 million or 6.3% over 2004. Approximately $1.8 million of the total increase was related to the net effect of acquisitions and divestitures completed in 2004. This comparison is also impacted by an $8.1 million expense recognized in 2004 related to an estimated loss from non-recovered credit card charge-backs. The largest single expense category increase was from professional fees. Professional fees increased $4.4 million, or 32.4%, in 2005 compared to 2004.

The *efficiency ratio* (non-interest expense divided by the sum of federal taxable equivalent net interest income and non-interest income excluding net securities gains) was 49.79% for 2005 compared to 52.06% in 2004. The *net overhead ratio* (non-interest expense less non-interest income - excluding net securities gains divided by total average assets) improved to 1.27% for the year compared to 1.32% for 2004.

2004 vs. 2003

Non-interest expense increased $46.3 million, or 8.0% in 2004 over 2003. **Salaries and other personnel expenses** increased $24.3 million or 7.1%. Approximately $5.1 million of the total increase was related to net effect of acquisitions and divestitures completed in 2004 and 2003. The change in classification methodology for loan origination costs, which was implemented on a prospective basis on October 18, 2004, resulted in a decrease in salaries and other personnel expense of $9.2 million. The remaining net increase related to normal merit and promotional salary adjustments, and performance-based incentive compensation.

Net occupancy and equipment expense increased $6.3 million or 8.3% during 2004. Approximately $1.2 million of the total increase was related to the net effect of acquisitions and divestitures completed in 2004 and 2003. Additionally, rent expense increased by approximately $2.1 million during 2004.

Other operating expenses increased $15.7 million or 9.8% during 2004. Approximately $3.0 million of the total increase was related to acquisitions and divestitures completed in 2004 and 2003 and an estimated loss of $8.1 million related to non-recovered credit card charge-backs.

Transaction Processing Services

During 2005, TSYS operating expenses as a percentage of revenues increased to 81.7%, compared to 81.3% and 80.3% for 2004 and 2003, respectively. Operating expenses increased in 2005 as compared to 2004 primarily due to the acquisition of Vital in March 2005 and TSYS Prepaid in August 2004. Operating expenses increased in 2004 as compared to 2003 primarily due to the increase in costs associated with TSYS TDM s debt collection arrangement, increased performance-based incentive benefit accruals and the write-off of TSYS double-byte software development project.

Salaries and other personnel expense increased 26.9% or $99.0 million in 2005 over 2004, compared to 10.6% in 2004 over 2003. Of the $99.0 million increase in employment expenses in 2005, approximately $59.7 million related to Vital

and TSYS Prepaid. A significant portion of TSYS operating expenses relates to salaries and other personnel costs. TSYS salaries and personnel expense is greatly influenced by the number of employees. During 2005, the average number of employees increased to 6,317 compared to 5,598 in 2004 and 5,494 in 2003. The majority of the increase in the number of employees in 2005 as compared to 2004 is a result of the acquisition of Vital. The majority of the increase in the number of employees in 2004 as compared to 2003 is a result of the acquisition of TSYS Prepaid, offset by the workforce reduction announced in February 2004. The growth in employment expenses is also impacted by the accrual for performance-based incentives, which includes salary bonuses, profit sharing and employer 401(k) expenses. For the years ended December 31, 2005, 2004 and 2003, TSYS accrued $48.1 million, $22.5 million and $8.4 million, respectively, of performance-based incentives.

Net occupancy and equipment expense increased 15.9% in 2005 over 2004, compared to 16.4% in 2004 over 2003. Of the $38.1 million increase in net occupancy and equipment expense in 2005 over 2004, $22.6 million related to Vital and TSYS Prepaid. Depreciation and amortization expense increased $27.2 million, or 33.5%, to $108.5 million for the year ended December 31, 2005, compared to $81.3 million for the year ended December 31, 2004, which increased $4.7 million, or 6.1%, from $76.6 million for the year ended December 31, 2003. Amortization expense of licensed computer software increased by $15.6 million or 41.1% in 2005 over 2004 as TSYS expanded its processing capacity. Amortization expense of licensed computer software decreased by $3.4 million in 2004 compared to 2003.

TSYS was developing its Integrated Payments (IP) Platform supporting the on-line and off-line debit and stored value markets, which would have given clients access to all national and regional networks, EBT programs, ATM driving and switching services for online debit processing. Through 2004, TSYS invested a total of $6.3 million since the project began.

Development relating specifically to the IP on-line debit platform primarily consisted of a third-party software solution. During the first quarter of 2005, TSYS evaluated its debit solution and decided to modify its approach in the debit processing market. With the acquisition of Vital and debit alternatives now available, TSYS determined that it would no longer market this third-party software product as its on-line debit solution. TSYS will continue to support this product for existing clients and will enhance and develop a new solution. As a result, TSYS recognized an impairment charge in net occupancy and equipment expense of approximately $3.1 million related to this asset. As of December 31, 2005, TSYS has $1.3 million capitalized, net of amortization, related to this asset. In September 2005, TSYS also recognized an impairment loss on developed software of $482,000.

During 2004, TSYS decided to change its approach for entry into the Asia-Pacific market. As a result, TSYS recognized a $10.1 million charge to net occupancy and equipment expense for the write-off of the double-byte software development project.

TSYS equipment and software needs are fulfilled primarily through operating leases and software licensing arrangements. Equipment and software rental expense was $96.5 million for the year ended December 31, 2005, an increase of $7.8 million, or 8.7%, compared to $88.7 million for the year ended December 31, 2004, an increase of $3.0 million, or 3.5%, compared to $85.8 million for the year ended December 31, 2003. TSYS equipment and software rentals increased in 2004 due to expanding processing capacity and transition costs associated with the opening of its new data centre in Europe.

Other operating expenses increased 75.8% in 2005 compared to 2004, and increased 48.8% in 2004 compared to 2003. Other operating expenses were impacted by the acquisition of Vital and TSYS Prepaid. Of the $112.0 million increase in other operating expenses in 2005, approximately $88.8 million related to the acquisition of Vital in March 2005 and TSYS Prepaid in August 2004. Other operating expenses were also impacted by the court costs associated with a new debt collection arrangement entered into by TDM, amortization of contract acquisition costs and the provision for transaction processing accruals. As a result of a new debt-collection agreement with an existing client in 2003, TSYS other expenses were impacted by an increase in court costs and attorney commissions for the years ended December 31, 2005 and 2004, respectively, some of which it expects to recover in future periods. Amortization of

contract acquisition costs associated with conversions was $15.8 million, $11.5 million, and $7.7 million in 2005, 2004, and 2003, respectively.

Other operating expenses also include, among other things, costs associated with delivering merchant services, professional advisory fees, 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. For 2005, 2004 and

Table of Contents

Financial Review

2003, transaction processing provisions were $7.4 million, $9.9 million and $3.5 million, respectively. For the year ended December 31, 2005, TSYS had provisions for bad debt expense of $3.5 million, and for the years ended December 31, 2004 and 2003, TSYS had recoveries of bad debt expense of $1.1 million and $1.0 million, respectively.

Table 6 Non-Interest Expense

(In thousands)

	2005 *		2004 *		2003 *	
	Financial Services	**Transaction Processing Services**	**Financial Services**	**Transaction Processing Services**	**Financial Services**	**Transaction Processing Services**
Salaries and other personnel expense	**$ 370,223**	**466,901**	364,514	367,881	340,219	332,616
Net occupancy and equipment expense	**90,549**	**277,671**	82,156	239,534	75,841	205,845
Other operating expenses	**185,985**	**259,751**	175,004	147,732	159,347	99,261
Total non-interest expense before reimbursable items	**646,757**	**1,004,323**	621,674	755,147	575,407	637,722
Reimbursable items		**313,141**		230,388		225,165
Total non-interest expense	**$ 646,757**	**1,317,464**	621,674	985,535	575,407	862,887

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

Investment Securities Available for Sale

The investment securities portfolio consists principally of debt and equity securities classified as available for sale. Investment securities available for sale provide Synovus with a source of liquidity and a relatively stable source of income. The investment securities portfolio also provides management with a tool to balance the interest rate risk of its loan and deposit portfolios. At December 31, 2005, approximately $2.4 billion of these investment securities were pledged as required collateral for certain deposits, securities sold under agreements to repurchase, and FHLB advances. See Table 8 for maturity and average yield information of the investment securities available for sale portfolio.

The investment strategy focuses on the use of the investment securities portfolio to manage the interest rate risk created by the inherent mismatch between the loan and deposit portfolios. Due to strong loan demand at subsidiary

banks, there is little need for investment securities to augment income or utilize unpledged deposits. As such, the investment securities are primarily U.S. Government agencies and Government agency sponsored mortgage-backed securities, both of which have a high degree of liquidity and limited credit risk. A mortgage-backed security depends on the underlying pool of mortgage loans to provide a cash flow pass-through of principal and interest. At December 31, 2005, substantially all of the collateralized mortgage obligations and mortgage-backed pass-through securities held by Synovus were issued or backed by Federal agencies.

As of December 31, 2005 and 2004, the estimated fair value of investment securities available for sale as a percentage of their amortized cost was 98.5% and 100.0%, respectively. The investment securities available for sale portfolio had gross unrealized gains of $8.8 million and gross unrealized losses of $55.1 million, for a net unrealized loss of $46.3 million as of December 31, 2005. As of December 31, 2004, the investment securities available for sale portfolio had a net unrealized loss of $224 thousand. Shareholders equity included a net unrealized loss of $28.5 million and a net unrealized gain of $141 thousand on the available for sale portfolio as of December 31, 2005 and 2004, respectively.

During 2005, the average balance of investment securities available for sale increased to $2.83 billion, compared to $2.60 billion in 2004. Synovus earned a taxable-equivalent rate of 4.03% and 4.04% for 2005 and 2004, respectively, on its investment securities available for sale portfolio. As of December 31, 2005 and 2004, average investment securities available for sale represented 12.2% and 12.6%, respectively, of average interest earning assets.

The calculation of weighted average yields for investment securities available for sale in Table 8 is based on the amortized cost and effective yields of each security. The yield on state and municipal securities is computed on a taxable-equivalent basis using the statutory federal income tax rate of

Table of Contents

Financial Review

35%. Maturity information is presented based upon contractual maturity. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Table 7 Investment Securities Available for Sale
(In thousands)

	December 31,		
	2005	**2004**	**2003**
U.S. Treasury and U.S. Government agency securities	$ **1,624,612**	1,305,471	1,353,825
Mortgage-backed securities	**1,006,728**	1,026,724	847,007
State and municipal securities	**212,371**	237,832	248,738
Other investments	**114,609**	125,566	79,687
Total	$ **2,958,320**	2,695,593	2,529,257

Table of Contents

Financial Review

Table 8 Maturities and Average Yields of Investment Securities Available for Sale

(Dollars in thousands)	December 31, 2005		
	Investment Securities Available for Sale		
		Estimated Fair Value	Average Yield
U.S. Treasury and U.S. Government agency securities:			
Within 1 year	$	295,922	2.94%
1 to 5 years		1,164,529	3.84
5 to 10 years		139,969	4.92
More than 10 years		24,192	5.80
Total	$	1,624,612	3.80
State and municipal securities:			
Within 1 year	$	19,722	6.71
1 to 5 years		83,639	6.84
5 to 10 years		79,172	7.45
More than 10 years		29,838	7.61
Total	$	212,371	7.16
Other investments:			
Within 1 year	$	264	3.97
1 to 5 years		1,350	3.88
5 to 10 years			
More than 10 years		189	
Total	$	1,803	3.49
Equity securities	$	112,806	4.63
Mortgage-backed securities	$	1,006,728	4.22
Total investment securities:			
Within 1 year	$	315,908	3.18
1 to 5 years		1,249,518	4.04
5 to 10 years		219,141	5.83
More than 10 years		54,219	6.78

Equity securities		112,806	4.63
Mortgage-backed securities		1,006,728	4.22
Total	$	2,958,320	4.21%

Loans

Since lending activities are a significant source of revenue, our main objective is to adhere to sound lending practices. When analyzing prospective loans, management considers both interest rate and credit quality objectives in determining whether to extend a given loan and the appropriate pricing for that loan. Operating under a decentralized structure, management emphasizes lending in the local markets we serve. Synovus strives to maintain a diversified loan portfolio to spread risk and reduce exposure to economic downturns that may occur in different segments of the economy, geographic locations, or in particular industries. Table 9 illustrates that a significant portion of the loan portfolio is in the real estate sector. However, as discussed further, these loans are diversified by geography, industry and loan type. The loan policy discourages loans to highly speculative real estate developments, highly leveraged transactions, and other industries known for excessive risk.

Portfolio Composition

Synovus continues to operate its highly successful relationship banking model, and has continued to maintain and further develop a strong presence in each of its local markets. The loan portfolio spreads across five southeastern states with diverse economies. The Georgia banks represent a majority with 53% of the consolidated portfolio. The Alabama banks represent 15%, followed by South Carolina with 14%, Florida with 13%, and Tennessee with 5%.

The commercial loan portfolio consists of commercial, financial, agricultural, and real estate loans. These loans are granted primarily on the borrower s general credit standing and on the strength of the borrower s ability to generate repayment cash flows from income sources. Real estate construction and mortgage loans are secured by commercial real estate as well as 1-4 family residences, and represent extensions of credit used as interim or permanent financing of real estate properties.

Total commercial real estate loans at December 31, 2005 were $12.9 billion or 60.1% of the total loan portfolio. As shown on Table 14, the commercial real estate loan portfolio is diversified among various property types: investment properties, 1-4 family properties, land acquisition, owner-occupied, and other property.

Included in the commercial real estate category are $3.8 billion in loans for the purpose of financing owner-occupied properties and other properties such as churches and other charitable properties, healthcare facilities, restaurants, and recreational properties. The primary source of

Financial Review

repayment on these loans is revenue generated from products or services offered by the business or organization. The secondary source of repayment on these loans is the real estate.

The commercial real estate loan portfolio includes loans in the Atlanta market totaling $2.7 billion, of which $637 million are investment property loans.

Total retail loans as of December 31, 2005 were $3.3 billion. Retail loans consist of residential mortgages, equity lines, credit card loans, installment loans and other credit line loans. Retail lending decisions are made based upon the cash flow or earning power of the borrower that represents the primary source of repayment. However, in many lending transactions collateral is taken to provide an additional measure of security. Collateral securing these loans provides a secondary source of repayment in that the collateral may be liquidated. Synovus determines the need for collateral on a case-by-case basis. Factors considered include the purpose of the loan, current and prospective credit-worthiness of the customer, terms of the loan, and economic conditions.

Portfolio Growth

At December 31, 2005, total loans outstanding were $21.4 billion, an increase of 9.8% over 2004. Average loans increased 14.02% or $2.5 billion compared to 2004, representing 88% of average earning assets and 77.9% of average total assets. Growth in the commercial real estate portfolio continues to be the primary driver of overall loan growth, though strong emphasis on portfolio diversification should begin to narrow the gap between commercial, financial, and agricultural loan growth and retail loan growth in relation to commercial real estate loan growth.

Total commercial real estate loans increased by $1.6 billion, or 13.9% from year-end 2004. The commercial real estate portfolio growth was led by strong growth in residential development and 1-4 family construction. The housing market remains strong in the Southeast, due in part to job growth and population growth. Synovus continues to monitor market conditions, including absorption rates, affordability index, foreclosure rates, and price appreciation to assess its portfolio risk and underwriting criteria. Credit quality trends remain favorable in this sector.

Retail loans increased by $181.3 million or 5.7% from year-end 2004. Real estate mortgage loans grew $260.7 million, or 11.3%, driven by another year of strong growth in home equity loans. Home equity loans increased $175.2 million or 17.3% compared to a year ago.

Table 10 shows the maturity of selected loan categories as of December 31, 2005. Also provided are the amounts due after one year, classified according to the sensitivity in interest rates.

Actual repayments of loans may differ from the contractual maturities reflected in Table 10 because borrowers have the right to prepay obligations with and without prepayment penalties. Additionally, the refinancing of such loans or the potential delinquency of such loans could create differences between the contractual maturities and the actual repayment of such loans.

Table 9 Loans by Type

	December 31,									
	2005		**2004**		**2003**		**2002**		**2001**	
(Dollars in thousands)	**Amount**	**% ***	**Amount**	**% ***	**Amount**	**% ***	**Amount**	**% ***	**Amount**	**% ***
Commercial:										
Commercial, financial, and	**$ 5,231,150**	**24.5%**	5,064,828	26.0%	4,651,864	28.3%	4,382,558	30.3	4,004,042	32.2

agricultural										
Real estate construction	**6,394,161**	**29.9**	5,173,275	26.6	3,958,649	24.1	3,119,508	21.6	2,665,877	21.5
Real estate mortgage	**6,465,915**	**30.1**	6,116,308	31.4	5,095,247	30.9	4,304,024	29.8	3,138,748	25.3
Total commercial	**18,091,226**	**84.5**	16,354,411	84.0	13,705,760	83.2	11,806,090	81.7	9,808,667	79.0
Retail:										
Real estate mortgage	**2,559,339**	**12.0**	2,298,681	11.8	1,865,700	11.4	1,701,332	11.8	1,553,154	12.5
Consumer loans credit card	**268,348**	**1.3**	256,298	1.3	232,931	1.4	223,613	1.5	234,651	1.9
Consumer loans other	**521,521**	**2.4**	612,957	3.1	691,557	4.2	757,625	5.2	843,169	6.8
Total retail	**3,349,208**	**15.7**	3,167,936	16.2	2,790,188	17.0	2,682,570	18.5	2,630,974	21.2
Total loans	**21,440,434**		19,522,347		16,495,948		14,488,660		12,439,641	
Unearned income	**(48,087)**	**(0.2)**	(41,951)	(0.2)	(31,034)	(0.2)	(24,752)	(0.2)	(21,724)	(0.2)
Total loans, net of unearned income	**21,392,347**	**100.0**	19,480,396	100.0	16,464,914	100.0	14,463,908	100.0	12,417,917	100.0

* Loan balance in each category, expressed as a percentage of total loans, net of unearned income.

Table 10 Loan Maturity and Interest Rate Sensitivity
(in thousands)

	December 31, 2005			
	One Year Or Less	Over One Year Through Five Years	Over Five Years	Total
Selected loan categories:				
Commercial, financial, and agricultural	$ 3,303,374	1,701,029	226,747	5,231,150
Real estate-construction	4,530,379	1,749,157	114,625	6,394,161
Total	$ 7,833,753	3,450,186	341,372	11,625,311
Loans due after one year:				
Having predetermined interest rates				$ 1,228,005
Having floating interest rates				2,563,553
Total				$ 3,791,558

Provision and Allowance for Loan Losses

Despite credit standards, internal controls, and a continuous loan review process, the inherent risk in the lending process results in periodic charge-offs. The provision for loan losses is the charge to operating earnings necessary to maintain an adequate allowance for loan losses. Through the provision for loan losses, Synovus maintains an allowance for loan losses that management believes is adequate to absorb losses within the loan portfolio. However, future additions to the allowance may be necessary based on changes in economic conditions, as well as changes in assumptions regarding a borrower s ability to pay and/or collateral values. In addition, various regulatory agencies, as an integral part of their examination procedures, periodically review each banks allowance for loan losses. Based on their judgments about information available to them at the time of their examination, such agencies may require the banks to recognize additions to their allowance for loan losses.

Allowance for Loan Losses Methodology

To determine the adequacy of the allowance for loan losses, a formal analysis is completed quarterly to assess the risk within the loan portfolio. This assessment, conducted by lending officers and each bank s loan administration department, as well as an independent holding company credit review function, includes analyses of historical performance, past due trends, the level of nonperforming loans, reviews of certain impaired loans, loan activity since the previous quarter, consideration of current economic conditions, and other pertinent information. Each loan is assigned a rating, either individually or as part of a homogeneous pool, based on an internally developed risk rating system. The resulting conclusions are reviewed and approved by senior management.

The allowance for loan losses consists of two components: the allocated and unallocated allowances. Both components of the allowance are available to cover inherent losses in the portfolio. The allocated component of the

allowance is determined by type of loan within the commercial and retail portfolios. The allocated allowance for commercial loans includes an allowance for impaired loans which is determined as described in the following paragraph. Additionally, the allowance for commercial loans includes an allowance for non-impaired loans which is based on application of loss reserve factors to the components of the portfolio based on the assigned loan grades. The allocated allowance for retail loans is generally determined on pools of homogeneous loan categories. Loss factors applied to these pools are generally based on average historical losses for the past two years, current delinquency trends, and other factors. The unallocated component of the allowance is established for losses that specifically exist in the remainder of the portfolio, but have yet to be identified. This also compensates for the uncertainty in estimating loan losses. The unallocated component of the allowance is based upon management s evaluation of various conditions, the effects of which are not directly considered in the allocated allowance. These include credit concentrations, recent levels and trends in delinquencies and nonaccrual loans, new credit products, changes in lending policies and procedures, changes in personnel, and regional and local economic conditions.

Considering current information and events regarding the borrowers ability to repay their obligations, management considers a loan to be impaired when the ultimate collectibility of all principal and interest amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan becomes impaired, management calculates the impairment based on the present value of expected future

cash flows discounted at the loan s effective interest rate. If the loan is collateral dependent, the fair value of the collateral is used to measure the amount of impairment. The amount of impairment and any subsequent changes are recorded through a charge to earnings, as an adjustment to the allowance for loan losses. When management considers a loan, or a portion thereof, as uncollectible, it is charged against the allowance for loan losses. A majority of Synovus impaired loans are collateral dependent. Accordingly, Synovus has determined the required allowance on these loans based upon fair value estimates (net of selling costs) of the respective collateral. The required allowance (or the actual losses) on these impaired loans could differ significantly if the ultimate fair value of the collateral is significantly different from the fair value estimates used by Synovus in estimating such potential losses.

A summary by loan category of loans charged off, recoveries of loans previously charged off, and additions to the allowance through provision expense is presented in Table 11.

Allocation of the Allowance for Loan Losses at December 31, 2005

Table 12 shows a five year comparison of the allocation of the allowance for loan losses. The allocation of the allowance for loan losses is based on historical data, subjective judgment, and estimates, and therefore is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur.

At December 31, 2005, the allocated component of the allowance for loan losses related to commercial real estate construction loans was $59.9 million, up 19.2% from $50.2 million in 2004. The increase is primarily due to a 23.6% increase in the related loan balances. As a percentage of commercial real estate construction loans, the allocated allowance in this category was .94% at December 31, 2005, compared to .97% the previous year-end.

Commercial, financial and agricultural loans had an allocated allowance of $84.0 million or 1.61% of loans in the respective category at December 31, 2005, compared to $77.3 million or 1.53% at December 31, 2004. The increase in the allocated allowance is primarily due to an overall increase in risk ratings assigned to credits in this category.

The unallocated allowance is .25% of total loans and 18.2% of the total allowance at December 31, 2005. This compares to ..26% of total loans and 19.1% of the total allowance at December 31, 2004. Management believes that this level of unallocated allowance is adequate to provide for probable losses that are inherent in the loan portfolio and that have not been fully provided through the allocated allowance. Factors considered in determining the adequacy of the unallocated allowance include the concentration in commercial real estate loans and the continued change in our footprint moving from rural markets into larger urban markets. These factors are tempered by the positive credit quality indicators, the improving economic environment, diversification within the commercial real estate portfolio, the continuing favorable performance within the commercial real estate portfolio, the knowledge and experience of our commercial lending staff, and the relationship banking philosophy maintained through our community bank structure.

Table of Contents

Financial Review

Table 11 Allowance for Loan Losses
(Dollars in thousands)

	December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Allowance for loan losses at beginning of year	**$ 265,745**	226,059	199,841	170,769	147,867
Allowance for loan losses of acquired/divested subsidiaries, net		5,615	10,534	7,967	6,217
Loans charged off:					
Commercial:					
Commercial, financial, and agricultural	**38,087**	30,697	37,535	28,338	17,806
Real estate construction	**1,367**	383	2,918	444	307
Real estate mortgage	**6,575**	3,145	2,533	1,745	1,294
Total commercial	**46,029**	34,225	42,986	30,527	19,407
Retail:					
Real estate mortgage	**4,393**	2,327	2,972	1,375	1,750
Consumer loans credit card	**11,383**	7,728	7,631	10,408	11,579
Consumer loans other	**5,421**	6,688	10,616	8,951	9,069
Total retail	**21,197**	16,743	21,219	20,734	22,398
Total loans charged off	**67,226**	50,968	64,205	51,261	41,805
Recoveries on loans previously charged off:					
Commercial:					
Commercial, financial, and agricultural	**3,890**	5,334	3,454	2,512	2,448
Real estate construction	**50**	172	189	50	38
Real estate mortgage	**483**	826	325	284	132
Total commercial	**4,423**	6,332	3,968	2,846	2,618
Retail:					
Real estate mortgage	**511**	521	330	346	680
Consumer loans credit card	**1,828**	1,612	1,467	1,554	1,166
Consumer loans other	**1,799**	1,255	2,347	2,293	2,353

Total retail	**4,138**	3,388	4,144	4,193	4,199
Total loans recovered	**8,561**	9,720	8,112	7,039	6,817
Net loans charged off	**58,665**	41,248	56,093	44,222	34,988
Provision expense	**82,532**	75,319	71,777	65,327	51,673
Allowance for loan losses at end of year	**$ 289,612**	265,745	226,059	199,841	170,769
Allowance for loan losses to loans, net of unearned income	**1.35%**	1.36	1.37	1.38	1.38
Ratio of net loans charged off to average loans outstanding, net of unearned income	**0.29%**	0.23	0.36	0.33	0.30

Table of Contents

Financial Review

Table 12 Allocation of Allowance for Loan Losses
(Dollars in thousands)

	December 31,									
	2005		2004		2003		2002		2001	
	Amount	% *	Amount	% *	Amount	% *	Amount	% *	Amount	% *
Commercial:										
Commercial, financial, and agricultural	**$ 83,995**	**24.5**	77,293	25.9	66,418	28.1	67,365	30.2	70,166	32.2
Real estate construction	**59,869**	**29.9**	50,224	26.6	39,921	24.1	26,476	21.6	23,368	21.5
Real estate mortgage	**69,334**	**30.1**	66,954	31.4	51,140	30.9	40,334	29.8	25,754	25.3
Total commercial	**213,198**	**84.5**	194,471	83.9	157,479	83.1	134,175	81.6	119,288	79.0
Retail:										
Real estate mortgage	**6,445**	**12.0**	5,335	11.8	4,032	11.3	3,951	11.8	1,503	12.5
Consumer loans credit card	**8,733**	**1.3**	8,054	1.4	7,602	1.5	8,800	1.6	9,803	1.9
Consumer loans other	**8,403**	**2.4**	7,086	3.1	8,006	4.3	9,590	5.2	15,268	6.8
Total retail	**23,581**	**15.7**	20,475	16.3	19,640	17.1	22,341	18.6	26,574	21.2
Unearned Income		**(0.2)**		(0.2)		(0.2)		(0.2)		(0.2)
Unallocated	**52,833**		50,799		48,940		43,325		24,907	
Total allowance for loan losses	**$ 289,612**	**100.0**	265,745	100.0	226,059	100.0	199,841	100.0	170,769	100.0

* Loan balance in each category expressed as a percentage of total loans, net of unearned income.

Nonperforming Assets and Past Due Loans

Nonperforming assets consist of loans classified as nonaccrual or restructured, and real estate acquired through foreclosure. Accrual of interest on loans is discontinued when reasonable doubt exists as to the full collection of interest or principal, or when they become contractually in default for 90 days or more as to either interest or principal, unless they are both well-secured and in the process of collection. Nonaccrual loans consist of those loans on which recognition of interest income has been discontinued. Loans may be restructured as to rate, maturity, or other terms as determined on an individual credit basis. Demand and time loans, whether secured or unsecured, are generally placed on nonaccrual status when principal and/or interest is 90 days or more past due, or earlier if it is known or expected that the collection of all principal and/or interest is unlikely. Loans past due 90 days or more, which based on a determination of collectibility are accruing interest, are classified as past due loans. Nonaccrual loans are reduced by the direct application of interest and principal payments to loan principal, for accounting purposes only. Table 13 presents the amount of interest income that would have been recorded on non-performing loans if those loans had been current and performing in accordance with their original terms.

Nonperforming assets decreased $3.3 million to $98.7 million at December 31, 2005. The nonperforming assets ratio decreased to .46% as of December 31, 2005 compared to .52% as of year-end 2004. Nonperforming assets over $5 million at December 31, 2005 consist of a $5.8 million loan to a healthcare company and a $5.6 million loan to a residential construction company. The largest reduction in nonperforming assets during 2005 resulted from the sale of a foreclosed asset (a golf course in Florida) which had a recorded balance of $5.2 million at December 31, 2004.

As a percentage of total loans outstanding, loans 90 days past due and still accruing interest declined to a historical low of .07%. This compares to .09% at year-end 2004 and .13% at year-end 2003. 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. Management further believes that the

Table of Contents

Financial Review

resolution of these delinquencies will not cause a material increase in nonperforming assets.

Impaired loans at December 31, 2005 and 2004 were $95.3 million and $99.2 million, respectively.

Management continuously monitors nonperforming, impaired, and past due loans to prevent further deterioration regarding the condition of these loans. Management is not aware of any material loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that have been excluded from the determination of nonperforming assets or impaired loans. Management further believes nonperforming assets and impaired loans include all material loans in which doubts exist as to the collectibility of amounts due according to the contractual terms of the loan agreement.

Table 13 Nonperforming Assets and Past Due Loans
(Dollars in thousands)

	December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Nonperforming loans(a)	**$ 82,175**	80,456	67,442	66,736	51,586
Other real estate	**16,500**	21,492	28,422	26,517	15,867
Nonperforming assets	**$ 98,675**	101,948	95,864	93,253	67,453
Loans 90 days past due and still accruing interest					
Total outstanding	**$ 16,023**	18,138	21,138	30,192	27,134
As a % of loans	**0.07%**	0.09	0.13	0.21	0.22
Allowance for loan losses	**$ 289,612**	265,745	226,059	199,841	170,769
Allowance for loan losses as a % of loans	**1.35%**	1.36	1.37	1.38	1.38
As a % of loans and other real estate:					
Nonperforming loans	**0.38%**	0.41	0.41	0.46	0.41
Other real estate	**0.08%**	0.11	0.17	0.18	0.13
Nonperforming assets	**0.46%**	0.52	0.58	0.64	0.54
Allowance for loan losses to nonperforming loans	**352.43%**	330.30	335.19	299.45	331.04

Interest income on nonperforming loans that would have been reported for the years ended December 31, 2005, 2004, and 2003 is summarized as follows:

	2005	2004	2003
Interest at contractual rates(b)	$ 5,205	4,197	4,547
Less interest recorded as income	2,713	1,537	1,884
Reduction of interest income	$ 2,492	2,660	2,663

(a) Nonperforming loans exclude loans 90 days past due and still accruing interest.

(b) Interest income that would have been recorded if the loans had been current and performing in accordance with their original terms.

Financial Review

Table 14

Loan Type	**December 31, 2005** Loans as a Percentage of Total Loans Outstanding	Nonperforming Loans as a Percentage of Total Nonperforming Loans	**December 31, 2004** Loans as a Percentage of Total Loans Outstanding	Nonperforming Loans as a Percentage of Total Nonperforming Loans
Commercial Real Estate				
Multi-family	2.5%	0.3	2.8%	1.0
Hotels	3.2		4.2	3.6
Office buildings	3.5	6.1	4.0	
Shopping centers	3.1		3.0	0.2
Commercial development	4.1	0.7	3.5	0.1
Other investment property	1.6	0.8	1.4	0.1
Total Investment Properties	18.0	7.9	18.9	5.0
1-4 family construction	7.3	2.4	6.2	1.1
1-4 family perm/mini-perm	5.1	3.3	5.1	8.2
Residential development	7.0	9.3	5.6	0.2
Total 1-4 Family Properties	19.4	15.0	16.9	9.5
Land Acquisition	4.9	0.5	4.8	0.2
Total Investment-Related Real Estate	42.3	23.4	40.6	14.7
Owner-Occupied	12.6	13.7	11.6	8.8
Other Property	5.1	6.6	5.8	9.8
Total Commercial Real Estate	60.0	43.7	58.0	33.3
Commercial & Industrial	24.5	46.6	25.9	58.1
Consumer	15.7	9.7	16.3	8.6
Unearned Income	(0.2)		(0.2)	
Total	100.0%	100.0	100.0%	100.0

Table 14 shows the composition of the loan portfolio and nonperforming loans classified by loan type as of December 31, 2005 and 2004. The commercial real estate category is further segmented into the various property types determined in accordance with the purpose of the loan. Owner-occupied and other property loans represent 17.7% of total loans, or 29.7% of total commercial real estate loans at December 31, 2005. Other property includes loans secured by non-investment real estate, including charitable, recreational, educational and healthcare facilities. Like owner-occupied loans, these loans depend upon the underlying business cash flow for repayment. Investment-related real estate represents 42.3% of total loans and is diversified among many property types. These include commercial investment properties, 1-4 family properties, and land acquisition. Commercial investment properties, as shown in Table 14, represent 18.0% of total loans and 30.0% of total commercial real estate loans at December 31, 2005. No category of commercial investment properties exceeds 5% of the total loan portfolio. The greatest concentration in commercial real estate is 1-4 family properties, which include 1-4 family construction, commercial 1-4 family mortgages, and residential development loans. These properties are further diversified geographically; approximately 27% of 1-4 family property loans are secured by properties in the Atlanta market and approximately 14% are secured by properties in coastal markets. Land acquisition represents less than 5% of total loans.

At December 31, 2005, commercial real estate (CRE) loans represent 60.0% of the total portfolio, while CRE nonperforming loans represent 43.7% or $35.9 million of total nonperforming loans. The largest loans in this category are a $5.6 million loan to a residential construction company and a $3.6 million loan to a residential developer. No other CRE nonperforming loans exceed $3 million.

Table of Contents

Financial Review

Commercial and industrial nonperforming loans represent 46.6% or $38.3 million of total nonperforming loans at December 31, 2005. The largest loans in this category are a $5.8 million loan to a healthcare company and a $4.5 million loan to a waste management company. No other non-performing commercial and industrial loans exceed $3 million.

Deposits

Deposits provide the most significant funding source for interest earning assets. Table 15 shows the relative composition of average deposits for 2005, 2004, and 2003. Refer to Table 16 for the maturity distribution of time deposits of $100,000 or more. These larger deposits represented 25.2% and 25.0% of total deposits at December 31, 2005 and 2004, respectively. Synovus continues to maintain a strong base of large denomination time deposits from customers within the local market areas of subsidiary banks. Synovus also utilizes national market brokered time deposits as a funding source while continuing to maintain and grow its local market large denomination time deposit base. Time deposits over $100,000 at December 31, 2005, 2004, and 2003 were $5.2 billion, $4.6 billion, and $3.6 billion, respectively. Interest expense for the years ended December 31, 2005, 2004, and 2003, on these large denomination deposits was $171.5 million, $94.3 million, and $94.2 million, respectively.

Growing core deposits (total deposits excluding brokered time deposits) at a faster rate than loans was one of our key corporate goals in 2005. We achieved this goal, with core deposit growth of 13.6% for the year compared to a loan growth of 9.8%. Average deposits increased $2.6 billion or 15.0%, to $19.6 billion from $17.1 billion in 2004. Average interest bearing deposits, which include interest bearing demand deposits, money market accounts, savings deposits, and time deposits, increased $2.2 billion or 15.7% from 2004. Average non-interest bearing demand deposits increased $359.8 million or 11.8% during 2005. Average interest bearing deposits increased $1.4 billion or 11.5% from 2003 to 2004, while average non-interest bearing demand deposits increased $546.9 million, or 21.9%. See Table 3 for further information on average deposits, including average rates paid in 2005, 2004, and 2003.

Table 15 Average Deposits

(Dollars in thousands)		**2005**	**% ***	**2004**	**% ***	**2003**	**% ***
Non-interest bearing demand deposits	$	**3,408,289**	**17.4**	3,048,465	17.9	2,501,539	16.6
Interest bearing demand deposits		**2,975,016**	**15.2**	2,762,104	16.2	2,515,161	16.7
Money market accounts		**5,193,943**	**26.5**	4,481,042	26.3	3,695,601	24.6
Savings deposits		**555,205**	**2.8**	548,736	3.2	502,246	3.3
Time deposits under $100,000		**2,294,158**	**11.7**	2,223,854	13.0	2,399,371	15.9
Time deposits $100,000 and over		**2,624,623**	**13.4**	2,258,081	13.2	2,722,584	18.1
		17,051,234	**87.0**	15,322,282	89.8	14,336,502	95.2
Brokered time deposits ($100,000 and over)		**2,557,660**	**13.0**	1,730,937	10.2	726,316	4.8
Total average deposits	$	**19,608,894**	**100.0**	17,053,219	100.0	15,062,818	100.0

* Average deposits balance in each category expressed as percentage of total average deposits.

Table 16 Maturity Distribution of Time Deposits of $100,000 or More
(In thousands)

	December 31, 2005
3 months or less	$ 1,353,327
Over 3 months through 6 months	1,048,691
Over 6 months through 12 months	1,263,435
Over 12 months	1,571,041
Total outstanding	$ 5,236,494

Market Risk and Interest Rate Sensitivity

Market risk reflects the risk of economic loss resulting from adverse changes in market prices and interest rates. This risk of loss can be reflected in either diminished current market values or reduced current and potential net income. Synovus most significant market risk is interest rate risk. This risk arises primarily from Synovus core community banking activities of extending loans and accepting deposits.

Managing interest rate risk is a primary goal of the asset liability management function. Synovus attempts to achieve consistent growth in net interest income while limiting

F-70

volatility arising from changes in interest rates. Synovus seeks to accomplish this goal by balancing the maturity and repricing characteristics of assets and liabilities along with the selective use of derivative instruments. Synovus manages its exposure to fluctuations in interest rates through policies established by its Asset Liability Management Committee (ALCO) and approved by the Board of Directors. ALCO meets periodically and has responsibility for developing asset liability management policies, reviewing the interest rate sensitivity of the Company, and developing and implementing strategies to improve balance sheet structure and interest rate risk positioning.

Simulation modeling is the primary tool used by Synovus to measure its interest rate sensitivity. On at least a quarterly basis, the following twenty-four month time period is simulated to determine a baseline net interest income forecast and the sensitivity of this forecast to changes in interest rates. The baseline forecast assumes an unchanged or flat interest rate environment. These simulations include all of our earning assets, liabilities and derivative instruments. Forecasted balance sheet changes, primarily reflecting loan and deposit growth forecasts prepared by each bank, are included in the periods modeled. Projected rates for new loans and deposits are also provided by each bank and are primarily based on management s outlook and local market conditions.

The magnitude and velocity of rate changes among the various asset and liability groups exhibit different characteristics for each possible interest rate scenario; additionally, customer loan and deposit preferences can vary in response to changing interest rates. Simulation modeling enables Synovus to capture the effect of these differences. Synovus is also able to model expected changes in the shape of interest rate yield curves for each rate scenario. Simulation also enables Synovus to capture the effect of expected prepayment level changes on selected assets and liabilities subject to prepayment.

As of December 31, 2005, Synovus maintained an asset sensitive interest rate risk position. This positioning would be expected to result in an increase in net interest income in a rising interest rate environment and a decrease in net interest income in a declining rate environment. This is generally due to a greater proportion of interest earning assets repricing on a variable rate basis as compared to variable rate funding sources. This asset sensitivity is indicated by selected results of Synovus net interest income simulations. In these simulations, Synovus has modeled the impact of a gradual increase and decrease in short-term interest rates of 100 and 200 basis points to determine the sensitivity of net interest income for the next twelve months. As illustrated in Table 17, the net interest income sensitivity model indicates that, compared with a net interest income forecast assuming stable rates, net interest income is projected to increase by 1.9% and 4.4% if interest rates increased by 100 and 200 basis points, respectively, and decrease by 2.2% and 4.8% if interest rates decreased by 100 and 200 basis points, respectively. These changes were within Synovus policy limit of a maximum 5% negative change. Synovus anticipates some further increases in short-term rates in 2006 followed by a period of stable rates. Synovus expects to gradually reduce its asset sensitivity during 2006 in order to position itself properly for an environment of stable to potentially declining rates.

The actual realized change in net interest income would depend on several factors. These factors include, but are not limited to, actual realized growth in asset and liability volumes, as well as the mix experienced over these time horizons. Market conditions and their resulting impact on loan, deposit, and wholesale funding pricing would also be a primary determinant in the realized level of net interest income.

Another tool utilized by management is cumulative gap analysis, which seeks to measure the repricing differentials, or gap, between rate sensitive assets and liabilities over various time periods. Table 18 reflects the gap positions of the consolidated balance sheets at December 31, 2005 and 2004, at various repricing intervals. The projected deposit repricing volumes reflect adjustments based on management s assumptions of the expected rate sensitivity relative to the prime rate for core deposits without contractual maturity (i.e., interest bearing checking, savings, and money market accounts). Management believes that these adjustments allow for a more accurate profile of the interest rate risk position. The projected repricing of investment securities reflects expected prepayments on mortgage-backed securities and expected cash flows on securities subject to accelerated redemption options. These assumptions are made based on the interest rate environment as of each balance sheet date, and are subject to change as the general level of interest rates change. While these potential changes are not depicted in the static gap analysis,

simulation modeling allows for the proper analysis of these and other relevant potential changes. This analysis would indicate an asset sensitive positioning over both short and longer term time horizons. Management believes that adjusted gap analysis is a useful tool for measuring interest rate risk only when used in conjunction with its simulation model.

Synovus is also subject to market risk in certain of its fee income business lines. TSYS income and equity can be affected by movement in foreign currency exchange rates. TSYS maintains several different foreign operations whose resulting foreign currency translations into U.S. dollars could

Table of Contents

Financial Review

result in a negative impact to Synovus shareholders equity and/or net income. Financial management services revenues can be affected by risk in the securities markets, primarily the equity securities market. A significant portion of the fees in this unit are determined based upon a percentage of asset values. Weaker securities markets and lower equity values could have an adverse impact on the fees generated by these operations. Mortgage banking income is also subject to market risk. Mortgage loan originations are sensitive to levels of mortgage interest rates and therefore, mortgage revenue could be negatively impacted during a period of rising interest rates. The extension of commitments to customers to fund mortgage loans also subjects Synovus to market risk. This risk is primarily created by the time period between making the commitment and closing and delivering the loan. Synovus seeks to minimize this exposure by utilizing various risk management tools, the primary of which are best efforts commitments and forward sales commitments.

Table 17 Twelve Month Net Interest Income Sensitivity

Change in Short-Term Interest Rates (In basis points)	Estimated Change in Net Interest Income
+ 200	4.4%
+ 100	1.9%
Flat	
- 100	(2.2)%
- 200	(4.8)%

Table of Contents

Financial Review

Table 18 Interest Rate Sensitivity

(Dollars in millions)	December 31, 2005			
	0-3 Months	4-12 Months	1-5 Years	Over 5 Years
Investment securities available for sale*	$ 273.1	417.5	1,886.1	428.0
Loans, net of unearned income	15,258.6	2,091.7	3,569.1	473.0
Mortgage loans held for sale	143.1			
Other	99.2			
Interest sensitive assets	15,774.0	2,509.2	5,455.2	901.0
Deposits	7,902.8	3,780.6	4,885.8	514.4
Other borrowings	1,851.2	110.6	236.9	893.6
Interest sensitive liabilities	9,754.0	3,891.2	5,122.7	1,408.0
Interest rate swaps	(1,107.5)	295.0	395.0	417.5
Interest sensitivity gap	$ 4,912.5	(1,087.0)	727.5	(89.5)
Cumulative interest sensitivity gap	$ 4,912.5	3,825.5	4,553.0	4,463.5
Cumulative interest sensitivity gap as a percentage of total interest sensitive assets	19.9%	15.5	18.5	18.1

	December 31, 2004			
	0-3 Months	4-12 Months	1-5 Years	Over 5 Years
Investment securities available for sale*	$ 287.7	249.6	1,659.8	498.7
Loans, net of unearned income	13,800.4	1,965.9	3,337.3	376.9
Mortgage loans held for sale	120.2			
Other	139.5			
Interest sensitive assets	14,347.8	2,215.5	4,997.1	875.6
Deposits	7,326.8	2,693.3	4,640.7	578.8
Other borrowings	1,870.0	329.6	390.8	497.3

Interest sensitive liabilities		**9,196.8**	**3,022.9**	**5,031.5**	**1,076.1**
Interest rate swaps		**(977.5)**	**300.0**	**330.0**	**347.5**
Interest sensitivity gap	**$**	**4,173.5**	**(507.4)**	**295.6**	**147.0**
Cumulative interest sensitivity gap	**$**	**4,173.5**	**3,666.1**	**3,961.7**	**4,108.7**
Cumulative interest sensitivity gap as a percentage of total interest sensitive assets		**18.6%**	**16.3**	**17.7**	**18.3**

* Excludes net unrealized losses of $46.3 million and net unrealized losses of $224 thousand at December 31, 2005 and 2004, respectively.

Table of Contents

Financial Review

Derivative Instruments for Interest Rate Risk Management

As part of its overall interest rate risk management activities, Synovus utilizes derivative instruments to manage its exposure to various types of interest rate risks. The primary instruments utilized by Synovus are interest rate swaps where Synovus receives a fixed rate of interest and pays a floating rate tied to either the prime rate or LIBOR. These swaps are utilized to hedge the variability of cash flows or fair values of on-balance sheet assets and liabilities.

Interest rate contracts utilized by Synovus include end-user activities designed as hedges, all of which are linked to specific assets or liabilities as part of overall interest rate risk management practices. Management believes that the utilization of these instruments provides greater financial flexibility and is a very efficient tool for managing interest rate risk.

The notional amount of interest rate swap and floor contracts utilized by Synovus as part of its overall interest rate risk management activities as of December 31, 2005 and 2004 was $1.2 billion in both years, respectively. The notional amounts represent the amount on which calculations of interest payments to be exchanged are based. Although Synovus is not exposed to credit risk equal to the notional amounts, there is exposure to potential credit risks equal to the fair or replacement values of the swaps if the counterparty fails to perform. This credit risk is normally a very small percentage of the notional amount and fluctuates as interest rates change. Synovus minimizes this risk by subjecting the transaction to the same approval process as on-balance sheet credit activities, by dealing with only highly-rated counterparties, and by obtaining collateral agreements for exposure above certain predetermined limits.

A summary of these interest rate contracts and their terms at December 31, 2005 and 2004 is shown in Table 19. The fair value (net unrealized gains and losses) of these contracts has been recorded on the consolidated balance sheets.

During 2005, there were seven maturities and two terminations of interest rate contracts. There were four maturities and one termination in 2004. Interest rate contracts contributed additional net interest income of $910 thousand and less than a one basis point increase in the net interest margin for 2005. For 2004, interest rate contracts contributed to an increase in net interest income of $16.9 million and an eight basis point increase to the net interest margin.

Table 19 Interest Rate Contracts

(Dollars in thousands)	Notional Amount	Weighted Average Receive Rate	Weighted Average Pay Rate *	Weighted Average Maturity In Months	Unrealized Gains	Unrealized Losses	Net Unrealized Gains (Losses)
December 31, 2005							
Receive fixed swaps:							
Fair value hedges	**$ 807,500**	**4.38%**	**4.28%**	**70**	**$ 1,270**	**(14,804)**	**(13,534)**
Cash flow hedges	**350,000**	**6.10%**	**7.25%**	**18**	**117**	**(3,667)**	**(3,550)**
Total	**$ 1,157,500**	**4.90%**	**5.18%**	**54**	**$ 1,387**	**(18,471)**	**(17,084)**

December 31, 2004							
Receive fixed swaps:							
Fair value hedges	$ 477,500	4.24%	2.33%	88	$ 3,435	(5,214)	(1,779)
Cash flow hedges	500,000	5.12%	5.25%	12		(4,090)	(4,090)
Sub Total	977,500	4.69%	3.83%	49	3,435	(9,304)	(5,869)
Forward starting swap cash flow hedges	200,000			123	293	(2,109)	(1,816)
Total	$ 1,177,500				$ 3,728	(11,413)	(7,685)

* Variable pay rate based upon contract rates in effect at December 31, 2005 and 2004.

Liquidity

Liquidity represents the availability of funding to meet the needs of depositors, borrowers, and creditors at a reasonable cost, on a timely basis, and without adverse consequences. Synovus strong capital position, solid core deposit base, and excellent credit ratings are the cornerstones of its liquidity management activities.

Table of Contents

Financial Review

ALCO, 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. These subsidiaries maintain liquidity in the form of cash, investment securities, and cash derived from prepayments and maturities of both their investment and loan portfolios. Liquidity is also enhanced by the acquisition of new deposits. The subsidiary banks monitor deposit flows and evaluate alternate pricing structures to retain and grow deposits. Liquidity is also enhanced by the subsidiary banks strong reputation in the national deposit markets. This reputation allows subsidiary banks to issue longer-term certificates of deposit across a broad geographic base to enhance their liquidity and funding positions. An additional liquidity source for selected Synovus subsidiary banks is available through their membership in the Federal Home Loan Bank. At year-end 2005, these banks had access to additional funding of approximately $3 billion, subject to available collateral and Federal Home Loan Bank credit policies, through utilization of Federal Home Loan Bank advances.

Certain Synovus subsidiary banks maintain correspondent banking relationships with various national and regional financial organizations. These relationships provide access to short-term borrowings through federal funds lines, which allows Synovus to meet immediate liquidity needs if required. These lines total approximately $3.5 billion and are extended at the ongoing discretion of the correspondent financial institutions. Synovus strong credit rating is a primary determinant in the continued availability of these lines. Should Synovus credit rating decline to a level below investment grade, these lines availability would be significantly diminished. For this reason, selected Synovus banks maintain additional sources of liquidity including collateralized borrowing accounts with the Federal Reserve Bank.

The Parent Company requires cash for various operating needs including dividends to shareholders, business combinations, 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 and management fees from the subsidiary banks. As a short-term liquidity source, the Parent Company has access to a $25 million line of credit with an unaffiliated banking organization. The Parent Company also enjoys an excellent reputation and credit standing in the capital markets and has the ability to raise substantial amounts of funds in the form of either short or long-term borrowings. This ability was utilized during 2005 by issuing $450 million in twelve year maturity subordinated debt. This debt bears a coupon interest rate of 5.125% and is rated A- by Standard and Poors Corp. and A3 by Moody s Investor Service. Utilization of the proceeds of this issue included the repayment of $30 million in short term borrowings and $200 million in senior debt at its maturity date in December 2005. Maintaining adequate credit ratings is essential to Synovus continued cost effective access to these capital market funding sources.

The consolidated statements of cash flows detail cash flows from operating, investing, and financing activities. Net cash provided by operating activities was $620 million for the year ended December 31, 2005, while financing activities provided $2.03 billion. Investing activities used $2.45 billion of these amounts, resulting in a net increase in cash and cash equivalents of $198 million.

Management is not aware of any trends, events, or uncertainties that will have, or that are reasonably likely to have a material impact on liquidity, capital resources, or operations. Further, management is not aware of any current recommendations by regulatory agencies which, if they were to be implemented, would have such effect. Table 20 sets forth certain information about contractual cash obligations at December 31, 2005.

Table 20 Contractual Cash Obligations

(In thousands)	**Payments Due After December 31, 2005**				
	1 Year or Less	**Over 1 - 3 Years**	**4 - 5 Years**	**After 5 Years**	**Total**

Long-term debt	$	679,500	252,069	74,780	913,921	1,920,270
Capital lease obligations		2,296	3,844	788	3,771	10,699
Operating leases		130,967	167,574	38,516	46,846	383,903
Total contractual cash obligations	$	812,763	423,487	114,084	964,538	2,314,872

Table of Contents

Financial Review

Capital Resources

Synovus has always placed great emphasis on maintaining a strong capital base and continues to exceed regulatory capital requirements. Management is committed to maintaining a capital level sufficient to assure shareholders, customers, and regulators that Synovus is financially sound, and to enable Synovus to sustain an appropriate degree of leverage to provide a desirable level of profitability. Synovus has the ability to generate internal capital growth sufficient to support the asset growth it has experienced. Total shareholders equity of $2.9 billion represented 10.68% of total assets at December 31, 2005.

The regulatory banking agencies use a risk-adjusted calculation to aid them in their determination of capital adequacy by weighting assets based on the credit risk associated with on- and off-balance sheet assets. The majority of these risk-weighted assets for Synovus are on-balance sheet assets in the form of loans. Approximately 12% of risk-weighted assets are considered off-balance sheet assets and primarily consist of letters of credit and loan commitments that Synovus enters into in the normal course of business. Capital is categorized into two types: Tier I and Tier II. As a financial holding company, Synovus and its subsidiary banks are required to maintain capital levels required for a well-capitalized institution, as defined in the regulations. The regulatory agencies define a well-capitalized bank as one that has a leverage ratio of at least 5%, a Tier I capital ratio of at least 6%, and a total risk-based capital ratio of at least 10%. At December 31, 2005, Synovus and all subsidiary banks were in excess of the minimum capital requirements with a consolidated Tier I capital ratio of 10.23% and a total risk-based capital ratio of 14.23%, compared to Tier I and total risk-based capital ratios of 10.04% and 12.44%, respectively, in 2004 as shown in Table 21. The increase at December 31, 2005 is primarily attributed to the addition of $450 million in subordinated debt.

In addition to the risk-based capital standards, a minimum leverage ratio of 4% is required for the highest-rated financial holding companies that are not undertaking significant expansion programs. An additional 1% to 2% may be required for other companies, depending upon their regulatory ratings and expansion plans. The leverage ratio is defined as Tier I capital divided by quarterly average assets, net of certain intangibles. Synovus had a leverage ratio of 9.99% at December 31, 2005 and 9.78% at December 31, 2004, significantly exceeding regulatory requirements.

The 81% ownership of TSYS is an important aspect of the market price of Synovus common stock and should be considered in a comparison of the relative market price of Synovus common stock to other financial services companies. As of February 21, 2006, there were approximately 23,847 shareholders of record of Synovus common stock, some of which are holders in nominee name for the benefit of a number of different shareholders. Table 22 displays high and low stock price quotations of Synovus common stock which are based on actual transactions.

Table 21 Capital Ratios

	December 31,	
(Dollars in thousands)	**2005**	**2004**
Tier I capital:		
Shareholders equity	$ **2,949,329**	2,641,289
Net unrealized loss on investment securities available for sale	**28,495**	142
Net unrealized loss on cash flow hedges	**5,674**	3,434
Disallowed intangibles	**(532,295)**	(457,976)
Disallowed deferred tax asset	**(6,939)**	(6,075)
Deferred tax liability on core deposit premium related to acquisitions	**9,215**	10,937

Minority interest		**196,973**	167,284
Qualifying trust preferred securities		**10,252**	10,297
Total Tier I capital		**2,660,704**	2,369,332
Tier II capital:			
Qualifying subordinated debt		**750,000**	300,000
Eligible portion of the allowance for loan losses		**289,612**	265,745
Total Tier II capital		**1,039,612**	565,745
Total risk-based capital	**$**	**3,700,316**	2,935,077
Total risk-adjusted assets	**$**	**26,008,796**	23,590,520
Tier I capital ratio		**10.23%**	10.04
Total risk-based capital ratio		**14.23**	12.44
Leverage ratio		**9.99**	9.78
Regulatory minimums (for well-capitalized status):			
Tier I capital ratio		**6.00%**	6.00
Total risk-based capital ratio		**10.00**	10.00
Leverage ratio		**5.00**	5.00

Table of Contents

Financial Review

Table 22 Market and Stock Price Information

		High	Low
2005			
Quarter ended December 31, 2005	**$**	**28.42**	**26.49**
Quarter ended September 30, 2005		**29.95**	**27.02**
Quarter ended June 30, 2005		**29.49**	**26.98**
Quarter ended March 31, 2005		**28.51**	**26.59**
2004			
Quarter ended December 31, 2004	$	28.89	26.50
Quarter ended September 30, 2004		26.50	24.49
Quarter ended June 30, 2004		25.75	23.31
Quarter ended March 31, 2004		28.82	22.67

Dividends

Synovus (and its predecessor companies) has paid cash dividends on its common stock in every year since 1891. Synovus dividend payout ratio was 44.51%, 48.94%, and 51.56%, in 2005, 2004, and 2003, respectively. It is the present intention of the Synovus Board of Directors to continue to pay cash dividends on its common stock in an amount that results in a dividend payout ratio of at least 40%. In addition to the Company s general financial condition, Synovus Board of Directors considers other factors in determining the amount of dividends to be paid each year. These factors include consideration of capital and liquidity needs based on projected balance sheet growth, acquisition activity, earnings growth, as well as the capital position of the individual business segments (Financial Services and TSYS).

Table 23 presents information regarding dividends declared during the years ended December 31, 2005 and 2004.

Table 23 Dividends

Date Declared	Date Paid		Per Share Amount
2005			
November 15, 2005	**January 2, 2006**	**$**	**.1825**
August 16, 2005	**October 1, 2005**		**.1825**
May 24, 2005	**July 1, 2005**		**.1825**
February 23, 2005	**April 1, 2005**		**.1825**
2004			
November 16, 2004	January 3, 2005	$	.1733
August 19, 2004	October 1, 2004		.1733
May 19, 2004	July 1, 2004		.1733
February 26, 2004	April 1, 2004		.1733

Commitments and Contingencies

Synovus believes it has sufficient capital, liquidity, and future cash flows from operations to meet operating needs over the next year. Table 24 and Note 9 to the consolidated financial statements provide additional information on short-term and long-term borrowings.

In the normal course of its business, TSYS maintains processing contracts with its clients. These processing contracts contain commitments, including, but not limited to, minimum standards and time frames against which its performance is measured. In the event TSYS does not meet its contractual commitments with its clients, TSYS may incur penalties and/or certain customers may have the right to terminate their contracts with TSYS. TSYS does not believe that it will fail to meet its contractual commitments to an extent that will result in a material adverse effect on its financial condition or results of operations.

Synovus and its subsidiaries are subject to various legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, based in part upon the advice of legal counsel, all matters are believed to be adequately covered by insurance, or if not covered, are believed to be without merit or are of such kind or involve such amounts that would not have a material adverse effect on the financial position, results of operations or cash flows of Synovus if disposed of unfavorably. Synovus establishes reserves for expected future litigation exposures that Synovus determines to be both probable and reasonably estimable.

TSYS received notification from the United States Attorneys Office for the Northern District of California that the United States Department of Justice was investigating whether TSYS and/or one of its large credit card processing clients violated the False Claims Act, 31 U.S.C. §§3729-33, in connection with mailings made on behalf of the client from July 1997 through November 2001. The subject matter of the investigation related to the U.S. Postal Service s Move Update Requirements. In general, the Postal Service s Move Update Requirements are designed to reduce the volume of mail that is returned to sender as undeliverable as addressed. TSYS produced documents and information in response to a subpoena that it received from the Office of the Inspector General of the United States Postal Service and otherwise cooperated with the Department of Justice during the investigation. The involved parties agreed to a settlement of the matter without any party admitting liability. The matter was settled during the third quarter of 2005 for amounts that were not material to TSYS financial condition, results of operations, or cash flows.

Table of Contents

Financial Review

Short-Term Borrowings

The following table sets forth certain information regarding federal funds purchased and securities sold under repurchase agreements, the principal components of short-term borrowings.

Table 24 Short-Term Borrowings

		2005	2004	2003
(Dollars in thousands)				
Balance at December 31	$	**1,158,669**	1,208,080	1,354,887
Weighted average interest rate at December 31		**3.69%**	1.95%	0.93%
Maximum month end balance during the year	$	**1,918,797**	1,749,923	1,459,818
Average amount outstanding during the year	$	**1,103,005**	1,479,815	1,101,216
Weighted average interest rate during the year		**2.86%**	1.30%	1.07%

Income Tax Expense

Income tax expense was $307.6 million in 2005, up from $252.2 million in 2004, and $222.6 million in 2003. The effective income tax rate was 37.3%, 36.6%, and 36.4%, in 2005, 2004, and 2003, respectively. See Note 17 to the consolidated financial statements for a detailed analysis of income taxes.

Inflation

Inflation has an important impact on the growth of total assets in the banking industry and may create a need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Synovus has been able to maintain a high level of equity through retention of an appropriate percentage of its net income. Synovus deals with the effects of inflation by managing its interest rate sensitivity position through its asset/liability management program and by periodically adjusting its pricing of services and banking products to take into consideration current costs.

Parent Company

The Parent Company s assets, primarily its investment in subsidiaries, are funded, for the most part, by shareholders equity. It also utilizes short-term and long-term debt. The Parent Company is responsible for providing the necessary funds to strengthen the capital of its subsidiaries, acquire new businesses, fund internal growth, pay corporate operating expenses, and pay dividends to its shareholders. These operations are funded by dividends and fees received from subsidiaries, and borrowings from outside sources.

In connection with dividend payments to the Parent Company from its subsidiary banks, certain rules and regulations of the various state and federal banking regulatory agencies limit the amount of dividends which may be paid. Approximately $355 million in dividends could be paid in 2006 to the Parent Company from its subsidiary banks without prior regulatory approval. Synovus expects to receive regulatory approval to allow certain subsidiaries to pay dividends in excess of their respective regulatory limits.

Share Repurchase Plan

On April 14, 2003, the Synovus Board of Directors approved a $200 million share repurchase plan. During the term of the plan, which expired on April 14, 2005, 5.5 million shares were purchased for a total cost of $112.7 million. There were no share repurchases under this plan in 2005.

The following table sets forth information regarding Synovus purchases of its common stock on a monthly basis during the three months ended December 31, 2005 and 2004:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October 2005		$		(2)
November 2005				(2)
December 2005	726(1)	28.21		(2)
Total	726(1)	$ 28.21		(2)

(1) Consists of delivery of previously owned shares to Synovus in payment of the exercise price of stock options.

(2) Amount is now zero as the aforementioned share repurchase plan expired on April 14, 2005.

Recently Issued Accounting Standards

On November 13, 2003, the EITF reached a consensus on EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. This guidance was to be applied in other-than-temporary impairment evaluations performed in reporting periods beginning after June 15, 2004. Disclosures were effective in annual financial statements for fiscal years ended after December 15, 2003, for investments accounted for under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, and SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. In 2005, the FASB issued FASB Staff Position (FSP) No. 115-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, which nullifies certain provisions of EITF Issue No. 03-1, while retaining the disclosure requirements that have

Financial Review

previously been adopted by Synovus. The adoption of FSP No. 115-1 did not have a material impact on Synovus financial statements.

In December 2003, the Accounting Standards Executive Committee issued SOP No. 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer. SOP No. 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor s initial investment in loans or debt securities (loans) acquired in a transfer or business combination if those differences are attributable, at least in part, to credit quality. SOP No. 03-3 is effective for loans acquired in years beginning after December 15, 2004. Synovus has not determined the impact that SOP No. 03-3 will have on its financial statements and believes that such determination will not be meaningful until Synovus completes a business combination with a financial institution and/or acquires a future loan portfolio.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment. SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award.

SFAS No. 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. Compensation cost will be recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 for either recognition or pro forma disclosures.

On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107), Share-Based Payment . SAB 107 expresses the views of the SEC staff regarding the interaction between SFAS No. 123R and certain SEC rules and regulations, provides the staff s views regarding the valuation of share-based payments by public companies, and provides guidance regarding share-based payments with non-employees.

On April 14, 2005, the SEC amended Rule 4-01(a) of Regulation S-X that amended the compliance date for SFAS No. 123R. The SEC s new rule allows companies to implement SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period that begins after June 15, 2005. Synovus adopted SFAS No. 123R effective January 1, 2006.

Synovus estimates that the adoption of SFAS No. 123R, including the effect of stock options to be granted in 2006, will result in an additional expense in 2006 of approximately $14.0 million, net of tax, relating to the expensing of stock options. Additionally, Synovus will incur an incremental (as compared to 2005) after-tax expense of approximately $3.0 million in 2006, for restricted stock awards, including the effect of restricted stock awards to be granted in 2006. While stock options have been the primary method of equity-based compensation historically, going forward, restricted stock awards are expected to be Synovus primary method of equity-based compensation.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle by requiring retrospective application to prior periods financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of this statement are effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Synovus does not expect the impact of SFAS No. 154 on its financial position, results of operations or cash flows to be material.

In June 2005, the EITF reached a consensus on EITF Issue No. 05-6 (EITF 05-6), Determining the Amortization Period for Leasehold Improvements. This guidance provides that leasehold improvements acquired in a business

combination and those acquired after the inception of a lease should be amortized over the shorter of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of acquisition of the leasehold improvements. The guidance is effective for periods beginning after June 29, 2005. Synovus has not determined the impact that EITF 05-6 will have on its financial statements and believes that such determination will not be meaningful until Synovus completes a business combination that includes leasehold improvements.

Financial Review

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) management s belief with respect to the adequacy of the allowance for loan losses; (ii) the expected financial impact of recent accounting pronouncements, including the expected after-tax expense for both option and restricted stock awards in 2006; (iii) the expected closing dates of pending acquisitions; (iv) TSYS belief with respect to its ability to meet its contractual commitments; (v) management s belief with respect to legal proceedings and other claims; (vi) TSYS expectation that it will deconvert Citibank s Sears and Bank of America s consumer accounts in May and October of 2006, respectively; (vii) TSYS expectation that it will continue to process commercial card accounts for Citibank, as well as Citibank s Banamex USA consumer accounts; (viii) TSYS expectation that it will maintain the card-processing functions of Chase for at least two years; (ix) TSYS expectation that it will continue providing commercial and small business card processing for Bank of America and MBNA, as well as merchant processing for Bank of America; (x) TSYS projected amount of annualized revenue loss as a result of Bank of America shifting the processing of its consumer card portfolio in house and the estimated termination fee to be paid by Bank of America in connection with termination of its processing agreement; (xi) Synovus and TSYS belief that the loss of revenues from the Bank of America consumer card portfolio for 2006 should not have a material adverse effect on Synovus or TSYS for 2006 and that the payment of the termination fee associated with the deconversion should have a positive effect on TSYS for 2006; (xii) TSYS expectation that it will convert Capital One s portfolio in phases beginning in mid-2006 and ending in early 2007; (xiii) TSYS expectation that it will maintain card processing functions of Capital One for at least five years; (xiv) TSYS and Synovus expectation with respect to the impact of the Chase contract on its earnings per share for 2006; (xv) TSYS belief that the loss of revenue from the Sears portfolio for 2006 should not have a material adverse effect on TSYS for 2006; (xvi) management s belief with respect to the adequacy of unallocated allowance for loan losses; (xvii) management s belief with respect to the resolution of certain loan delinquencies and the inclusion of all material loans in which doubt exists as to collectibility in nonperforming assets and impaired loans; (xviii) management s belief with respect to the use of derivatives to manage interest rate risk; (xix) the Board of Directors present intent to continue to pay cash dividends; (xx) management s belief with respect to having sufficient capital, liquidity, and future cash flows from operations to meet operating needs over the next year; (xxi) Synovus expected growth in earnings per share for 2006; (xxii) TSYS belief that Mexico remains a viable market and the assumptions underlying such statements, including, with respect to Synovus expected increase in earnings per share for 2006, short-term interest rates will increase modestly; the credit environment will remain favorable; TSYS earnings growth will be in the 21% 23% range; and the incremental expense of equity-based compensation will be approximately 5 cents per diluted share. In addition, certain statements in future filings by Synovus with the Securities and Exchange Commission, in press releases, and in oral and written 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, estima projects, plans, may, could, should, would, and similar expressions 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 2006; (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 laws and regulations (including laws and regulations concerning taxes, banking, securities, and insurance) with which Synovus and its subsidiaries must comply; (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; (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 Chase and Capital One for at least two and five years, respectively, 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.

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

Summary of Quarterly Financial Data

Presented below is a summary of the unaudited consolidated quarterly financial data for the years ended December 31, 2005 and 2004.

(In thousands, except per share data)	**Fourth Quarter**	**Third Quarter**	**Second Quarter**	**First Quarter**
2005				
Interest income	**$ 419,332**	**386,412**	**359,175**	**331,306**
Net interest income	**260,095**	**244,825**	**237,065**	**226,862**
Provision for losses on loans	**20,787**	**19,639**	**22,823**	**19,283**
Income before income taxes	**218,309**	**215,845**	**204,251**	**185,617**
Net income	**137,260**	**133,992**	**128,460**	**116,734**
Net income per share, basic	**.44**	**.43**	**.41**	**.38**
Net income per share, diluted	**.44**	**.43**	**.41**	**.37**
2004				
Interest income	$ 312,316	299,747	277,266	269,691
Net interest income	224,036	223,434	210,462	202,747
Provision for losses on loans	20,855	21,192	17,548	15,724
Income before income taxes	185,289	173,349	166,102	164,541
Net income	118,722	109,008	105,141	104,162
Net income per share, basic	.38	.35	.34	.34
Net income per share, diluted	.38	.35	.34	.34

Table of Contents

SYNOVUS FINANCIAL CORP.
EXECUTIVE CASH BONUS PLAN

ARTICLE I

OBJECTIVE OF THE PLAN

The purposes of this Synovus Financial Corp. Executive Cash Bonus Plan (Plan) are to reward selected officers of Synovus Financial Corp. (the Company) and certain of its subsidiaries (Subsidiaries) for superior corporate performance measured by achievement of financial performance and strategic corporate objectives and to attract and retain top quality executives.

ARTICLE II

PLAN ADMINISTRATION

This Plan is administered by the Compensation Committee (the Committee) of the Company s Board of Directors (the Board); provided, however, that with respect to matters involving employees of any publicly-traded Subsidiary of the Company, the Committee shall be the compensation committee of such publicly-traded Subsidiary. The Committee (and the compensation committee of any publicly-traded Subsidiary of the Company) shall be composed of two or more outside directors as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (Code).

ARTICLE III

PARTICIPANTS

Participation is limited to the Chief Executive Officer and the four highest compensated officers of the Company and any publicly-traded Subsidiary of the Company as selected from year-to-year by the members of the Committee (Participants).

ARTICLE IV

PERFORMANCE OBJECTIVES

Each fiscal year, the Committee shall establish

(i) performance objectives for such and/or the succeeding fiscal year for the Company, any Subsidiary, or any business segment or business unit of

the Company or any Subsidiary, based upon such criteria as may be from time to time considered by the Committee, which criteria may include, not to the exclusion of other criteria, criteria that has been approved by the shareholders of the Company or the shareholders of any publicly-traded Subsidiary of the Company; and

(ii) a system which equates the attainment of various performance objectives by the Company and Subsidiaries for such and/or the succeeding fiscal year into various percentages of the base salaries of eligible officers of the Company and Subsidiaries for such and/or the succeeding fiscal year which may be awarded to such Employees who are selected to be Participants in the Plan as bonuses.

The maximum award under this Plan to any participant for any performance period shall be $2,000,000.

ARTICLE V

AWARD OF BONUSES

As soon as practicable after each fiscal year for which performance objectives have, pursuant to Article IV, been established, the Committee shall determine whether the Company and each Subsidiary attained the previously-established performance objectives. Assuming such performance objectives shall be attained, the Committee shall determine, in its sole and exclusive discretion, whether any bonuses shall be awarded for such fiscal year. In determining the amount of bonuses to be awarded under the Plan, the Committee shall have the right to exercise negative discretion or decrease an award otherwise payable to a Participant, but the Committee shall have no discretion to increase the amount of any award under the Plan. Such bonuses shall be awarded as soon as practicable thereafter and the officers who are determined to be entitled to receive such bonuses shall be promptly notified of the award thereof.

ARTICLE VI

DEFERRAL OF BONUSES

Any bonus or any portion of any bonus awarded to a Participant may, at the election of such Participant, be deferred pursuant to the provisions of the Synovus Financial Corp./Total System Services, Inc. Deferred Compensation Plan (Deferred Plan), as such Deferred Plan may be amended from time to time. All bonus amounts deferred under the Deferred Plan shall be paid in accordance with the distribution provisions of the Deferred Plan, as such provisions may be amended from time to time.

Table of Contents

ARTICLE VII

NO ENTITLEMENT TO BONUS

Participants are entitled to a distribution under this Plan only upon the approval of the award by the Committee and no Participant shall be entitled to a bonus under the Plan due to the attainment of performance objectives. In addition, any Participant not employed by the Company or a Subsidiary on December 31 of any fiscal year will not be entitled to a bonus unless otherwise determined by the Committee.

ARTICLE VIII

TERMINATION OF PLAN

The Company Board of Directors may amend or terminate the Plan at any time and for any reason without prior notice.

ARTICLE IX

PARTICIPANT S RIGHT OF ASSIGNABILITY

Bonus amounts hereunder shall not be subject to assignment, pledge or other disposition, nor shall such amounts be subject to garnishment, attachment, transfer by operation of law, or any legal process.

ARTICLE X

GOVERNING LAW

The validity, construction, performance and effect of the Plan shall be governed by Georgia law.

3

PROXY
THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1, 2, 3, AND 4 AND AGAINST PROPOSAL 5.

		For	Withhold	For All Except
1.	To elect the following individuals as directors to serve until the Annual Meeting of Shareholders in 2009:	o	o	o

(01) Richard Y. Bradley
(02) Frank W. Brumley
(03) Elizabeth W. Camp
(04) T. Michael Goodrich
(05) John P. Illges, III
(06) J. Neal Purcell
(07) William B. Turner, Jr.

INSTRUCTION: To withhold authority to vote for any individual nominee, mark the For All Except box and strike a line through the nominee s name in the list above. Your shares will be voted for the remaining nominee(s).

		For	Against	Abstain
2.	To amend Synovus Articles of Incorporation and bylaws to declassify the Board of Directors.	o	o	o
3.	To approve the Synovus Financial Corp. Executive Cash Bonus Plan.	o	o	o
4.	To ratify the appointment of KPMG LLP as Synovus independent auditor for the year 2006.	o	o	o
5.	To consider a shareholder proposal regarding director election by majority vote.	o	o	o

PLEASE BE SURE TO SIGN AND DATE THIS PROXY.

Mark Here o
for Address Change or Comments
SEE REVERSE SIDE

CERTIFICATE OF BENEFICIAL OWNER
INSTRUCTIONS: Please provide the required information. THIS CERTIFICATE MUST BE SIGNED TO BE VALID. If you do not complete and sign this Certificate of Beneficial Owner, your shares covered by the Proxy to the left will be voted on the basis of one vote per share.

	Yes	No
A. Are you the beneficial owner, in all capacities, of more than 1,139,063 shares of Synovus Common Stock?	o	o

If you answered No to Question A, do not answer B or C. Your shares represented by the Proxy to the left are entitled to ten votes per share.

	Yes	No
B. If your answer to question A was Yes , have you acquired more than 1,139,063 shares of Synovus Common Stock since February 21, 2002 (including shares received as a stock dividend)?	o	o

If you answered No to Question B, do not answer Question C. Your shares represented by the Proxy to the left are entitled to ten votes per share.

C. If you answered Yes to Question B, please describe below the date and nature of your acquisition of all shares of Synovus Common Stock you have acquired since February 21, 2002 (including shares acquired as a result of a stock

dividend). Your response to Question C will determine which of the shares represented by the Proxy will be entitled to ten votes per share.

To the best of my knowledge and belief, the information provided herein is true and correct. I understand that the Board of Directors of Synovus Financial Corp. may require me to provide additional information or evidence to document my beneficial ownership of these shares and I agree to provide such evidence if so requested.

NOTE BOTH SIGNATURE LINES ARE REQUIRED WHEN CERTIFYING YOUR SHARES

Shareholder sign here	Date	Shareholder sign here	Date
Co-owner sign here	Date	Co-owner sign here	Date

Sign Here to Vote Your Shares

Sign Here to Certify Your Shares

FOLD AND DETACH HERE

Choose **MLink^{sm}** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect$^{(R)}$** at www.melloninvestor.com/isd where step-by-step instructions will prompt you through enrollment.

Vote by Internet or Telephone or Mail 24 Hours a Day, 7 Days a Week
Internet and telephone voting are available through 11:59 PM Eastern Time
the day prior to annual meeting day.

Table of Contents

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

Internet **http://www.proxyvoting.com/snv**		**Telephone** **1-866-540-5760**		**Mail**
Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.	**OR**	Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.	**OR**	Mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

If you vote your proxy on the Internet or by telephone,
you do NOT need to mail back your proxy card.

You can view the Annual Report and Proxy Statement
on the Internet at www.synovus.com/annual2005

Table of Contents

SYNOVUS FINANCIAL CORP.
POST OFFICE BOX 120, COLUMBUS, GEORGIA 31902-0120
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD APRIL 27, 2006
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

By signing on the reverse side, I hereby appoint Thomas J. Prescott and Liliana McDaniel as Proxies, each of them singly and each with power of substitution, and hereby authorize them to represent and to vote as designated below all the shares of common stock of Synovus Financial Corp. held on record by me or with respect to which I am entitled to vote on February 21, 2006 at the Annual Meeting of Shareholders to be held on April 27, 2006 or any adjournment or postponement thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED. IF THIS PROXY IS SIGNED AND RETURNED AND DOES NOT SPECIFY A VOTE ON ANY PROPOSAL, THE PROXY WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS.

The Board of Directors is not aware of any matters likely to be presented for action at the Annual Meeting of Shareholders other than the matters listed herein. However, if any other matters are properly brought before the Annual Meeting, the persons named in this Proxy or their substitutes will vote upon such other matters in accordance with their best judgement. This Proxy is revocable at any time prior to its use.

By signing on the reverse side, I acknowledge receipt of NOTICE of the ANNUAL MEETING and the PROXY STATEMENT and hereby revoke all Proxies previously given by me for the ANNUAL MEETING.

IN ADDITION TO VOTING AND SIGNING THE PROXY, YOU MUST ALSO COMPLETE AND SIGN THE CERTIFICATION TO BE ENTITLED TO TEN VOTES PER SHARE.

Address Change/Comments (Mark the corresponding box on the reverse side)

FOLD AND DETACH HERE

IF YOU DO NOT VOTE BY PHONE OR OVER THE INTERNET, PLEASE VOTE, DATE AND SIGN ON THE REVERSE SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

Please sign exactly as your name appears on this Proxy. When shares are held by joint tenants, both must sign. When signing in a fiduciary or representative capacity, give your full title as such. If a corporation, please sign in full corporate name by an authorized officer. If a partnership, please sign in full partnership name by an authorized person.