SYNOVUS FINANCIAL CORP
Form 10-Q
November 13, 2007

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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 September 30, 2007
Commission File Number 1-10312
SYNOVUS FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

GEORGIA	**58-1134883**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1111 Bay Avenue, Suite # 500
P.O. Box 120
Columbus, Georgia 31902
(Address of principal executive offices)
(706) 649-2311
(Registrants telephone number, including area code)

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

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

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

Indicate the number of shares outstanding of each of the issuer s class of common stock, as of the latest practicable date.

Class	October 31, 2007
Common Stock, $1.00 Par Value	328,459,457 shares

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

(In thousands, except share data)		**September 30, 2007**	December 31, 2006
ASSETS			
Cash and due from banks	$	**944,215**	889,975
Interest earning deposits with banks		**4,318**	19,389
Federal funds sold and securities purchased under resale agreements		**113,654**	101,091
Trading account assets		**33,009**	15,266
Mortgage loans held for sale		**165,837**	175,042
Investment securities available for sale		**3,628,766**	3,352,357
Loans, net of unearned income		**25,774,656**	24,654,552
Allowance for loan losses		**(356,887)**	(314,459)
Loans, net		**25,417,769**	24,340,093
Premises and equipment, net		**803,528**	752,738
Contract acquisition costs and computer software, net		**351,576**	383,899
Goodwill		**682,047**	669,515
Other intangible assets, net		**49,933**	63,586
Other assets		**1,381,011**	1,091,822
Total assets	$	**33,575,663**	31,854,773
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities:			
Deposits:			
Non-interest bearing retail and commercial deposits	$	**3,564,105**	3,538,598
Interest bearing retail and commercial deposits		**17,887,961**	17,741,354
Total retail and commercial deposits		**21,452,066**	21,279,952
Brokered time deposits		**2,872,978**	3,014,495
Total deposits		**24,325,044**	24,294,447
Federal funds purchased and other short-term liabilities		**2,568,759**	1,572,809
Long-term debt		**1,760,162**	1,350,139
Other liabilities		**592,771**	692,019
Total liabilities		**29,246,736**	27,909,414

Minority interest in consolidated subsidiaries	**274,571**	236,709
Shareholders equity:		
Common stock $1.00 par value. Authorized 600,000,000 shares; issued 334,095,480 in 2007 and 331,213,913 in 2006; outstanding 328,433,942 in 2007 and 325,552,375 in 2006	**334,095**	331,214
Additional paid-in capital	**1,107,653**	1,033,055
Treasury stock, at cost 5,661,538 shares	**(113,944)**	(113,944)
Accumulated other comprehensive income (loss)	**23,339**	(2,129)
Retained earnings	**2,703,213**	2,460,454
Total shareholders equity	**4,054,356**	3,708,650
Total liabilities and shareholders equity	**$ 33,575,663**	31,854,773

See accompanying notes to consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
(In thousands, except per share data)	**2007**	2006	**2007**	2006
Interest income:				
Loans, including fees	**$ 1,540,909**	1,357,044	**522,545**	493,083
Investment securities available for sale	**127,742**	100,144	**44,419**	35,624
Trading account assets	**2,890**	2,104	**1,014**	720
Mortgage loans held for sale	**8,006**	6,393	**3,047**	2,119
Federal funds sold and securities purchased under resale agreements	**4,062**	4,949	**1,213**	2,002
Interest earning deposits with banks	**1,008**	202	**38**	81
Total interest income	**1,684,617**	1,470,836	**572,276**	533,629
Interest expense:				
Deposits	**685,620**	518,491	**231,795**	206,320
Federal funds purchased and other short-term liabilities	**64,923**	55,941	**23,163**	18,894
Long-term debt	**61,741**	54,162	**23,155**	15,813
Total interest expense	**812,284**	628,594	**278,113**	241,027
Net interest income	**872,333**	842,242	**294,163**	292,602
Provision for losses on loans	**99,566**	56,473	**58,770**	18,390
Net interest income after provision for losses on loans	**772,767**	785,769	**235,393**	274,212
Non-interest income:				
Electronic payment processing services	**710,648**	683,499	**238,495**	231,636
Merchant acquiring services	**190,120**	195,318	**65,163**	65,548
Other transaction processing services	**161,911**	134,760	**53,940**	44,812
Service charges on deposit accounts	**83,157**	84,281	**28,736**	29,293
Fiduciary and asset management fees	**37,002**	35,090	**12,306**	11,868
Brokerage and investment banking income	**23,381**	20,009	**8,123**	6,502
Mortgage banking income	**20,876**	22,419	**5,955**	8,440
Bankcard fees	**35,370**	33,085	**11,923**	11,438
Securities gains (losses), net	**891**	(2,118)	**186**	(982)
Other fee income	**29,749**	29,664	**9,910**	10,024
Other operating income	**55,337**	30,491	**29,152**	10,173
Non-interest income before reimbursable items	**1,348,442**	1,266,498	**463,889**	428,752
Reimbursable items	**279,727**	267,825	**98,172**	99,187
Total non-interest income	**1,628,169**	1,534,323	**562,061**	527,939

Non-interest expense:				
Salaries and other personnel expense	**777,842**	717,825	**261,122**	256,220
Net occupancy and equipment expense	**284,556**	297,700	**97,412**	100,504
Other operating expenses	**302,637**	314,518	**100,985**	98,994
Spin-off related expenses	**6,298**		**5,937**	
Visa litigation settlement expense	**12,000**		**12,000**	
Non-interest expense before reimbursable items	**1,383,333**	1,330,043	**477,456**	455,718
Reimbursable items	**279,727**	267,825	**98,172**	99,187
Total non-interest expense	**1,663,060**	1,597,868	**575,628**	554,905
Minority interest in subsidiaries net income	**38,139**	31,311	**13,674**	10,406
Income from continuing operations before income taxes	**699,737**	690,913	**208,152**	236,840
Income tax expense	**259,491**	249,543	**73,209**	82,774
Income from continuing operations	**440,246**	441,370	**134,943**	154,066
Discontinued operations, net of income taxes	**4,200**			
Net income	**$ 444,446**	441,370	**134,943**	154,066
Net income per share:				
Basic				
Income from continuing operations	**$ 1.35**	1.38	**0.41**	0.48
Net income	**1.36**	1.38	**0.41**	0.48
Diluted				
Income from continuing operations	**$ 1.33**	1.37	**0.41**	0.47
Net income	**1.35**	1.37	**0.41**	0.47
Weighted average shares outstanding:				
Basic	**326,443**	320,063	**327,215**	323,657
Diluted	**330,001**	322,860	**330,160**	326,834

See accompanying notes to consolidated financial statements.

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

(In thousands, except per share data)	**Shares Issued**	**Common Stock**	**Additional Paid-In Capital**	**Treasury Stock**	**Unearned Compen-sation**	**Accum-ulated Other Compre-hensive Income (Loss)**	**Retained Earnings**	**Total**
Balance at December 31, 2005	318,301	$ 318,301	686,447	(113,944)	(3,126)	(29,536)	2,091,187	2,949,329
SAB No. 108 Adjustment to opening shareholders equity						826	3,434	4,260
Net Income							441,370	441,370
Other comprehensive income (loss), net of tax:								
Net unrealized gain on cash flow hedges						4,098		4,098
Change in unrealized gains on investment securities available for sale, net of reclassification adjustment						9,148		9,148
Gain on foreign currency translation						8,771		8,771
Other comprehensive income						22,017		22,017
Comprehensive income								463,387
Cash dividends declared $0.585 per share							(187,597)	(187,597)
Reclassification of unearned compensation to additional paid-in capital upon adoption of SFAS No. 123(R)			(3,126)		3,126			
Issuance of non-vested stock	601	601	(601)					
Share-based compensation expense			17,320					17,320
Stock options exercised	2,728	2,728	48,670					51,398
Share-based tax benefit			8,156					8,156
Ownership change at majority-owned subsidiary			5,611					5,611
Issuance of common stock for acquisition	8,844	8,844	247,499					256,343
Balance at September 30, 2006	330,474	$ 330,474	1,009,976	(113,944)		(6,693)	2,348,394	3,568,207
Balance at December 31, 2006	**331,214**	**$ 331,214**	**1,033,055**	**(113,944)**		**(2,129)**	**2,460,454**	**3,708,650**

Cumulative effect of adoption of FIN No. 48						**(230)**	**(230)**
Net Income						**444,446**	**444,446**
Other comprehensive income, net of tax:							
Net unrealized gain on cash flow hedges					**7,713**		**7,713**
Change in unrealized gains on investment securities available for sale, net of reclassification adjustment					**13,627**		**13,627**
Gain on foreign currency translation					**3,960**		**3,960**
Change in accumulated OCI related to postretirement healthcare plans					**168**		**168**
Other comprehensive income					**25,468**		**25,468**
Comprehensive income							**469,914**
Cash dividends declared $0.615 per share						**(201,457)**	**(201,457)**
Issuance of non-vested stock	**546**	**546**	**(546)**				
Share-based compensation expense			**15,716**				**15,716**
Stock options exercised	**2,273**	**2,273**	**39,790**				**42,063**
Share-based tax benefit			**10,558**				**10,558**
Ownership change at majority-owned subsidiary			**7,026**				**7,026**
Issuance of common stock for acquisition	**62**	**62**	**2,054**				**2,116**
Balance at September 30, 2007	**334,095**	**$ 334,095**	**1,107,653**	**(113,944)**	**23,339**	**2,703,213**	**4,054,356**

See accompanying notes to consolidated financial statements.

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

(In thousands)	Nine Months Ended September 30, **2007**	2006
Cash flows from operating activities:		
Net income	$ **444,446**	441,370
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Provision for losses on loans	**99,566**	56,473
Depreciation, amortization and accretion, net	**145,461**	169,316
Increase in interest receivable	**(21,869)**	(63,353)
(Decrease) increase in interest payable	**(205)**	52,856
Equity in income of unconsolidated subsidiaries	**(6,610)**	(3,703)
Minority interest in subsidiaries net income	**38,139**	31,311
(Increase) decrease in trading account assets	**(17,743)**	12,291
Originations of mortgage loans held for sale	**(1,161,942)**	(1,187,535)
Proceeds from sales of mortgage loans held for sale	**1,171,443**	1,172,112
Increase in other assets	**(190,093)**	(81,856)
Decrease in other liabilities	**(132,831)**	(6,635)
Net (gains) losses on sales of available for sale investment securities	**(891)**	2,118
Increase in fair value of private equity investments	**(15,347)**	
Gain from transfer of mutual funds	**(6,885)**	
Visa litigation settlement expense	**12,000**	
Impairment of computer software	**620**	
Share-based compensation expense	**21,660**	19,862
Increase (decrease) in accrued salaries and employee benefits	**6,858**	(23,739)
Other, net	**16,397**	(7,583)
Net cash provided by operating activities	**402,174**	583,305
Cash flows from investing activities:		
Net cash paid for acquisition		(54,918)
Net decrease (increase) in interest earning deposits with banks	**15,071**	(14,464)
Net increase in federal funds sold and securities purchased under resale agreements	**(12,563)**	(234,596)
Proceeds from maturities and principal collections of investment securities available for sale	**539,171**	485,284
Proceeds from sales of investment securities available for sale	**22,106**	148,231
Purchases of investment securities available for sale	**(822,818)**	(803,546)
Net increase in loans	**(1,234,050)**	(2,035,079)
Purchases of premises and equipment	**(118,374)**	(96,437)
Proceeds from disposal of premises and equipment	**642**	311
Net proceeds from transfer of mutual funds	**6,885**	
Additions to other intangible assets	**13,600**	
Increase in contract acquisition costs	**(20,878)**	(39,578)

Additions to licensed computer software from vendors	**(8,193)**	(9,650)
Additions to internally developed computer software	**(11,749)**	(13,699)
Net cash used by investing activities	**(1,631,150)**	(2,668,141)
Cash flows from financing activities:		
Net increase in demand and savings deposits	**450,861**	664,968
Net (decrease) increase in certificates of deposit	**(420,264)**	1,700,209
Net increase in federal funds purchased and other short-term liabilities	**995,950**	370,629
Principal repayments on long-term debt	**(200,423)**	(658,858)
Proceeds from issuance of long-term debt	**606,468**	42,000
Excess tax benefit from share-based payment arrangements	**10,143**	7,530
Dividends paid to shareholders	**(197,598)**	(181,318)
Proceeds from issuance of common stock	**42,063**	51,398
Net cash provided by financing activities	**1,287,200**	1,996,558
Effect of exchange rate changes on cash and cash equivalent balances held in foreign currencies	**(3,984)**	(2,006)
Increase (decrease) in cash and due from banks	**54,240**	(90,284)
Cash and due from banks at beginning of period	**889,975**	880,886
Cash and due from banks at end of period	**$ 944,215**	790,602

See accompanying notes to consolidated financial statements.

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

Note 1 Basis of Presentation

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

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the respective balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.

Note 2 Supplemental Cash Flow Information

For the nine months ended September 30, 2007 and 2006, Synovus paid income taxes (net of refunds received) of $352.0 million and $314.2 million, respectively. For the nine months ended September 30, 2007 and 2006, Synovus paid interest of $808.1 million and $572.1 million, respectively.

Non-cash investing activities consisted of loans of approximately $56.8 million and $20.5 million, which were foreclosed and transferred to other real estate during the nine months ended September 30, 2007 and 2006, respectively.

Note 3 Comprehensive Income

Other comprehensive income (loss) consists of the change in net unrealized gains (losses) on cash flow hedges, the change in net unrealized gains (losses) on investment securities available for sale, gains (losses) on foreign currency translation, and the change in accumulated other comprehensive income related to post-retirement health care plans. Comprehensive income consists of net income plus other comprehensive income (loss).

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
(in thousands)	**2007**	**2006**	**2007**	**2006**
Net income	**$ 444,446**	441,370	**134,943**	154,066
Other comprehensive income, net of tax:				
Change in net unrealized gains (losses) on cash flow hedges	**7,713**	4,098	**10,630**	7,869
Change in net unrealized gains (losses) on investment securities available for sale, net of reclassification adjustment	**13,627**	9,148	**31,674**	34,431
Gains on foreign currency translation	**3,960**	8,771	**1,796**	4,964
Change in accumulated OCI related to postretirement healthcare plans	**168**		**168**	
Other comprehensive income	**25,468**	22,017	**44,268**	47,264
Comprehensive income	**$ 469,914**	463,387	**179,211**	201,330

Note 4 Derivative Instruments

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

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

At September 30, 2007, Synovus had commitments to fund fixed-rate mortgage loans to customers in the amount of $80.6 million. The fair value of these commitments at September 30, 2007 represented in an unrealized loss of $604 thousand, and the change in the unrealized gain/(loss) during the period was recorded as a component of mortgage banking income in the consolidated statement of income.

At September 30, 2007, outstanding commitments to sell fixed-rate mortgage loans amounted to approximately $173.1 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 September 30, 2007 represented in an unrealized loss of $106 thousand, and the change in the unrealized gain/(loss) during the period was recorded as a component of mortgage banking income in the consolidated statement of income.

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Synovus utilizes interest rate swaps to manage interest rate risks, primarily arising from its core banking activities. These interest rate swap transactions generally involve the exchange of fixed and floating rate interest rate payment obligations without the exchange of underlying principal amounts. Entering into interest rate derivatives potentially exposes Synovus to the risk of counterparties failure to fulfill their legal obligations including, but not limited to, potential amounts due or payable under each derivative contract. Notional principal amounts are often 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 September 30, 2007 are being utilized to hedge $750 million in floating rate loans and $2.15 billion in fixed-rate liabilities. A summary of interest rate swap contracts and their terms at September 30, 2007 is shown below:

		Weighted-Average					**Net**
				Maturity			**Unrealized**
(Dollars in	**Notional**	**Receive**	**Pay**	**In**	**Unrealized**		**Gains**
thousands)	**Amount**	**Rate**	**Rate(*)**	**Months**	**Gains**	**Losses**	**(Losses)**
Receive fixed swaps:							
Fair value hedges	$ 2,152,500	5.01%	5.32%	25	$ 19,463	(9,915)	9,548
Cash flow hedges	750,000	8.09%	7.75%	36	15,637		15,637
Total	$ 2,902,500	5.81%	5.95%	28	$ 35,100	(9,915)	25,185

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

Synovus designates hedges of floating rate loans as cash flow hedges. These swaps hedge against the variability of cash flows from specified pools of floating rate prime based loans. Changes in the fair value of the cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) within shareholders equity, net of the tax benefit or expense. Synovus calculates effectiveness of the hedging relationship quarterly using regression analysis for all cash flow hedges entered into after March 31, 2007. The cumulative dollar offset method is used for all hedges entered into prior to that date. As of September 30, 2007, cumulative ineffectiveness for Synovus portfolio of cash flow hedges represented a gain of approximately $56 thousand. Ineffectiveness from cash flow hedges is recognized in the consolidated statements of income as other operating income.

Synovus expects to reclassify from accumulated other comprehensive income (loss) approximately $3.4 million as net-of-tax income during the next twelve months, as the related payments for interest rate swaps and amortization of deferred gains (losses) are recorded.

Synovus designates hedges of fixed rate liabilities as fair value hedges. These swaps hedge against the change in fair market value of various fixed rate liabilities due to changes in the LIBOR benchmark interest rate. Changes in the fair value of the fair value hedges are recorded on the balance sheet as adjustments to the hedged fixed rate liabilities. Synovus calculates effectiveness of the hedging relationships quarterly using regression analysis for all fair value hedges entered into after March 31, 2007. The cumulative dollar offset method is used for all hedges entered into prior to those dates, except for those hedges entered into prior to March 31, 2007 which have been redesignated and now use regression analysis. As of September 30, 2007, cumulative ineffectiveness for Synovus portfolio of fair value hedges represented a gain of approximately $180 thousand. Ineffectiveness from fair value hedges is recognized in the consolidated statements of income as other operating income.

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Synovus also enters into derivative financial instruments to meet the financing and interest rate risk management needs of its customers. Upon entering into these instruments to meet customer needs, Synovus enters into offsetting positions in order to minimize the risk to Synovus. These derivative financial instruments are recorded at fair value with any resulting gain or loss recorded in current period earnings. As of September 30, 2007, the notional amount of customer related interest rate derivative financial instruments was $2.56 billion.

Synovus also enters into derivative financial instruments to meet the equity risk management needs of its customers. Upon entering into these instruments to meet customer needs, Synovus enters into offsetting positions in order to minimize the risk to Synovus. These derivative financial instruments are recorded at fair value with any resulting gain or loss recorded in current period earnings. As of September 30, 2007, the notional amount of customer related equity derivative financial instruments was $19.8 million.

Note 5 Share-Based Compensation

General Description of Share-Based Compensation Plans

Synovus long-term incentive plans authorize the Compensation Committee of the Board of Directors to grant share-based compensation to Synovus employees and non-employee directors.

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

Share-Based Compensation Expense

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
(In thousands)	**2007**	**2006**	**2007**	**2006**
Share-based compensation expense:				
Stock options	$ 11,129	15,836	2,703	4,488
Non-vested shares	10,531	4,026	3,815	2,040
Total share-based compensation expense	$ 21,660	19,862	6,518	6,528

Stock Option Awards

During the nine months ended September 30, 2007, Synovus granted 246,660 options to purchase shares of Synovus common stock to certain key Synovus employees at a weighted-average exercise price of $31.93. During the nine months ended September 30, 2006, Synovus granted 866,466 options to purchase shares of Synovus common stock with a weighted average exercise price of $27.66. No options to purchase shares of Synovus common stock were issued

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during the three months ended September 30, 2007 and 2006. Stock options granted in 2007 and 2006 generally become exercisable over a three-year period, with one-third of the total grant amount vesting on each anniversary of the grant-date, and expire ten years from the date of grant. Share-based compensation expense is recognized for plan participants on a straight-line basis over the shorter of the vesting period or the period until reaching retirement eligibility. At September 30, 2007, there were 20,892,593 options to purchase shares of Synovus common stock outstanding with a weighted-average exercise price of $23.42.

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

Non-Vested Shares

During the nine and three months ended September 30, 2007, Synovus awarded 561,941 and 502,747 shares, respectively, of non-transferable non-vested Synovus common stock to certain key employees and non-employee directors of Synovus. The weighted-average grant-date fair value of the awarded stock for the nine and three months ended September 30, 2007 was $28.38 and $27.95, respectively. During the nine and three months ended September 30, 2006, Synovus awarded 609,133 and 441,964 shares, respectively, of non-vested Synovus common stock to certain key employees and non-employee directors of Synovus. The weighted-average grant-date fair value of the awarded stock for the nine and three months ended September 30, 2006 was $27.15 and $26.99, respectively. Non-vested shares granted in 2007 and 2006 generally vest over a three-year period, with one-third of the total grant amount vesting on each anniversary of the grant-date. Share-based compensation expense is recognized on a straight-line basis over the vesting period. At September 30, 2007, there were 1,018,814 non-vested shares outstanding with a weighted-average grant-date fair value of $27.85.

In addition, 12,677 non-transferable non-vested shares of Synovus common stock were awarded to a key Synovus executive under a performance vesting schedule during each of the nine month periods ended September 30, 2007 and 2006, with grant-date fair values of $31.64 and $27.72, respectively. There were no awards under a performance vesting schedule during the three months ended September 30, 2007 or 2006.

TSYS Share-Based Compensation

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

During the nine months ended September 30, 2007, TSYS awarded 241,260 non-transferable non-vested shares of TSYS common stock with a weighted-average grant-date fair value of $31.37 to certain key employees and non-employee directors of TSYS. The fair value of the common stock at the date of issuance will be amortized over the shorter of the vesting period or the period until reaching retirement. During the nine months ended September 30, 2006, TSYS awarded 150,775 shares of TSYS common stock with a weighted-average grant-date fair value of $19.64 to certain key employees and non-employee directors of TSYS. There were no non-

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vested shares awarded by TSYS during the three months ended September 30, 2007 and 2006.

Note 6 Business Combinations and Discontinued Operations

Acquisitions

On July 11, 2006, TSYS completed the acquisition of Card Tech, Ltd., a privately owned London-based payments firm, and related companies. TSYS rebranded the group of companies as TSYS Card Tech. TSYS paid aggregate consideration of approximately $59.5 million, including direct acquisition costs. TSYS has finalized allocation of the purchase price to the respective assets and liabilities acquired, including allocations of approximately $32.7 million to goodwill, approximately $19.1 million to other identifiable intangible assets and the remaining amounts to other identifiable assets and liabilities acquired. The results of operations for this acquisition have been included in Synovus consolidated financial statements beginning July 11, 2006.

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

Pro forma information related to the impact of these acquisitions on Synovus consolidated financial statements, assuming such acquisitions had occurred at the beginning of the periods reported, is not presented as such impact is not significant.

Discontinued Operations

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

Note 7 Operating Segments

Synovus has two reportable segments: Financial Services and Transaction Processing Services, which is comprised of TSYS. The Financial Services segment provides financial services including banking, financial management, insurance, mortgage and leasing services through 37 subsidiary banks and other Synovus offices in Georgia, Alabama, South Carolina, Florida, and Tennessee. TSYS provides electronic payment processing and other related services to card-issuing institutions in the United States, and internationally. All inter-segment services provided are charged at the same rates as those charged to unaffiliated customers. Such services are included in the results of operations of the respective segments and are eliminated to arrive at consolidated totals.

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

(*In thousands*)		Financial Services	TSYS [(a)]	Eliminations		Consolidated
Interest income	**2007**	**$ 1,684,708**	**11,094**	**(11,185)**	**(b)**	**1,684,617**
	2006	1,470,836	5,442	(5,442)	(b)	1,470,836
Interest expense	**2007**	**822,445**	**1,024**	**(11,185)**	**(b)**	**812,284**
	2006	633,918	118	(5,442)	(b)	628,594
Net interest income	**2007**	**862,263**	**10,070**			**872,333**
	2006	836,918	5,324			842,242
Provision for losses on loans	**2007**	**99,566**				**99,566**
	2006	56,473				56,473
Net interest income after provision for losses on loans	**2007**	**762,697**	**10,070**			**772,767**
	2006	780,445	5,324			785,769
Total non-interest income	**2007**	**290,029**	**1,359,730**	**(21,590)**	**(c)**	**1,628,169**
	2006	261,836	1,290,393	(17,906)	(c)	1,534,323
Total non-interest expense	**2007**	**609,491**	**1,075,159**	**(21,590)**	**(c)**	**1,663,060**
	2006	561,103	1,054,671	(17,906)	(c)	1,597,868
Income from continuing operations before income taxes	**2007**	**443,235**	**294,641**	**(38,139)**	**(d)**	**699,737**
	2006	481,178	241,046	(31,311)	(d)	690,913
Income tax expense	**2007**	**158,048**	**101,443**			**259,491**
	2006	171,051	78,492			249,543
Income from continuing operations	**2007**	**285,187**	**193,198**	**(38,139)**	**(d)**	**440,246**
	2006	310,127	162,554	(31,311)	(d)	441,370
Discontinued operations, net of tax	**2007**	**4,200**				**4,200**
	2006					
Net income	**2007**	**$ 289,387**	**193,198**	**(38,139)**	**(d)**	**444,446**
	2006	310,127	162,554	(31,311)	(d)	441,370
Total assets	**2007**	**$32,111,440**	**1,798,978**	**(334,755)**	**(e)**	**33,575,663**
	2006	30,026,531	1,499,810	(181,459)	(e)	31,344,882

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

(b) Interest on TSYS cash deposits with the Financial Services segment and on TSYS line of credit with a Synovus bank.

(c) Primarily, electronic payment processing services and other services provided by TSYS to the Financial Services segment.

(d) Minority interest in TSYS and GP Network Corporation (a TSYS subsidiary).

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

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

(*In thousands*)		Financial Services	TSYS (a)	Eliminations		Consolidated
Interest income	**2007**	**$ 572,317**	**4,196**	**(4,237)**	**(b)**	**572,276**
	2006	533,630	1,887	(1,888)	(b)	533,629
Interest expense	**2007**	**281,478**	**872**	**(4,237)**	**(b)**	**278,113**
	2006	242,875	40	(1,888)	(b)	241,027
Net interest income	**2007**	**290,839**	**3,324**			**294,163**
	2006	290,755	1,847			292,602
Provision for losses on loans	**2007**	**58,770**				**58,770**
	2006	18,390				18,390
Net interest income after provision for losses on loans	**2007**	**232,069**	**3,324**			**235,393**
	2006	272,365	1,847			274,212
Total non-interest income	**2007**	**106,194**	**463,322**	**(7,455)**	**(c)**	**562,061**
	2006	89,319	444,774	(6,154)	(c)	527,939
Total non-interest expense	**2007**	**216,670**	**366,413**	**(7,455)**	**(c)**	**575,628**
	2006	191,307	369,752	(6,154)	(c)	554,905
Income from continuing operations before income taxes	**2007**	**121,593**	**100,233**	**(13,674)**	**(d)**	**208,152**
	2006	170,377	76,869	(10,406)	(d)	236,840
Income tax expense	**2007**	**42,261**	**30,948**			**73,209**
	2006	60,395	22,379			82,774
Income from continuing operations	**2007**	**79,332**	**69,285**	**(13,674)**	**(d)**	**134,943**
	2006	109,982	54,490	(10,406)	(d)	154,066
Discontinued operations, net of tax	**2007**					
	2006					
Net income	**2007**	**$ 79,332**	**69,285**	**(13,674)**	**(d)**	**134,943**
	2006	109,982	54,490	(10,406)	(d)	154,066
Total assets	**2007**	**$32,111,440**	**1,798,978**	**(334,755)**	**(e)**	**33,575,663**
	2006	30,026,531	1,499,810	(181,459)	(e)	31,344,882

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

(b) Interest on TSYS cash deposits with the Financial Services segment and on TSYS line of credit with a Synovus bank.

(c) Primarily, electronic payment processing services and other services provided by TSYS to the Financial Services segment.

(d) Minority interest in TSYS and GP Network Corporation (a TSYS subsidiary).

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

TSYS had three major customers for the nine months ended September 30, 2007, and had two major customers for the nine months ended September 30, 2006. One of TSYS major customers was also a major customer of Synovus for the nine and three months ended September 30, 2006. For the nine months ended September 30, 2006, total revenues from this major customer were $307.2 million, which represented approximately 23.9% and 12.9% of TSYS and Synovus total revenues, respectively. For the three months ended September 30, 2006, total revenues from this major customer were $109.1 million, which represented approximately 24.7% and 13.3% of TSYS and Synovus total revenues, respectively.

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Segment information for the changes in the carrying amount of goodwill for the nine months ended September 30, 2007 is shown in the following table:

(In thousands)	Financial Services		TSYS		Total
Balance as of December 31, 2006	$ 536,178		133,337		669,515
Goodwill adjusted during period	3,419	(1)(2)	9,113	(3)	12,532
Impairment losses					
Balance as of September 30, 2007	**$ 539,597**		**142,450**		**682,047**

(1) Synovus acquired all of the issued and outstanding shares of GLOBALT, Inc. on May 31, 2002. The terms of the merger agreement provided for contingent consideration based on a percentage of a multiple of earnings before interest, income taxes, depreciation and other adjustments, as defined in the agreement (EBTDA), for each of the three years ended December 31, 2004, 2005 and 2006. The contingent consideration was payable by February 15th of each year subsequent to the respective

calendar year for which the EBTDA calculation was made. The fair value of the contingent consideration is recorded as an addition to goodwill. During the first quarter of 2007, Synovus recorded additional contingent consideration of $1.9 million, which was based on 14% of a multiple of GLOBALT s EBTDA for the year ended December 31, 2006.

(2) Goodwill adjusted during the nine months ended September 30, 2007 includes $1.3 million resulting from finalization of the allocation of the purchase prices for the Riverside acquisition on March 25, 2006, and $259 thousand resulting from the First Florida acquisition on April 1, 2006.

(3)

Goodwill adjusted during the nine months ended September 30, 2007 includes $5.5 million resulting from the finalization of the allocation of the purchase price for TSYS acquisition of TSYS Card Tech on July 11, 2006, and a $3.1 million currency translation adjustment related to goodwill recorded on the balance sheets of TSYS Card Tech, TSYS Managed Services and GPNet. The remaining $472 thousand addition to goodwill is due to legal fees incurred in conjunction with the acquisition of TSYS Card Tech and TSYS Managed Services.

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

(In thousands)		**September 30, 2007**	December 31, 2006
Purchased trust revenues	**$**	**2,432**	2,643
Core deposit premiums		**23,781**	27,099
Acquired customer contracts		**2,568**	5,029

Intangibles associated with the acquisition of minority interest in TSYS		**5,989**	6,577
Customer relationships		**13,649**	20,275
Other		**1,514**	1,963
Total carrying value	**$**	**49,933**	63,586

Note 8 Income Taxes

Synovus files income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions, and is subject to examinations by these taxing authorities unless statutory examination periods lapse. Synovus U.S. Federal income tax return is filed on a consolidated basis. Most state and foreign income tax returns are filed on a separate entity basis. Synovus is no longer subject to U.S. Federal income tax examinations for years before 2004 and with few

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exceptions, Synovus is no longer subject to income tax examinations from state and local or foreign tax authorities for years before 2001. There are currently no Federal or foreign tax examinations in progress. However, certain state tax examinations are in progress by the relevant state tax authorities. Although Synovus is unable to determine the ultimate outcome of these examinations, Synovus believes that its liability for uncertain tax positions relating to these jurisdictions for such years is adequate.

Synovus adopted the provisions of Financial Accounting Standards Board (FASB) interpretation No. 48, Accounting for Income Taxes an interpretation of FASB Statement 109 (FIN 48) as of January 1, 2007. FIN 48 establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 provides a two-step process in the evaluation of a tax position. The first step is recognition. A company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including a resolution of any related appeals or litigation processes, based upon the technical merits of the position. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Upon adoption as of January 1, 2007, Synovus recognized a $607 thousand increase in its liability for uncertain tax positions, with a corresponding decrease in minority interest of $377 thousand and a decrease in retained earnings of $230 thousand as a cumulative effect adjustment. During the nine months ended September 30, 2007, Synovus decreased its liability for prior year uncertain income tax positions as a discrete item by a net amount of approximately $7.0 million (net of the Federal tax effect) including $2.3 million in interest and penalties. This decrease resulted from the completion of a routine state tax examination, expiring state audit period statutes and other new information impacting the potential resolution of material uncertain tax positions. The current quarter activity is recorded as a reduction to income tax expense in the quarter.

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

(in thousands)	**Nine Months Ended Sept. 30, 2007**	**Three Months Ended Sept. 30, 2007**
Beginning balance	$ 16,485	$ 20,913
Current activity:		
Additions based on tax positions related to current year	1,706	640
Additions for tax positions of prior years	4,521	
Reductions for tax positions of prior years	(11,713)	(10,554)
Settlements		
Ending balance	$ 10,999	$ 10,999

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

Synovus recognizes interest and penalties related to unrecognized income tax benefits as a component of income tax expense. Accrued interest and penalties on unrecognized tax benefits totaled $3.4 million and $1.7 million as of

January 1, 2007 and September 30, 2007, respectively. The total amount of unrecognized income tax benefits as of January 1, 2007 and

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September 30, 2007 that, if recognized, would affect the effective tax rate is $13.4 million and $9.0 million (net of the Federal benefit on state tax issues) respectively, which includes interest and penalties of $2.2 million and $1.2 million.

Note 9 Guarantees and Indemnifications

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

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

Note 10 Recently Adopted Accounting Pronouncements

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

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

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Note 11 Subsequent Events

TSYS Spin-off

On October 25, 2007, Synovus announced that its Board of Directors has approved an agreement and plan of distribution with TSYS to spin-off to Synovus shareholders the shares of TSYS stock currently owned by Synovus. Synovus currently owns 80.7% of TSYS. The spin-off is expected to be tax-free to Synovus and its shareholders. The distribution of the approximately 159.6 million TSYS shares owned by Synovus will be made to Synovus shareholders on a pro-rata basis and is expected to occur on December 31, 2007. The record date for this distribution is currently expected to be on or about December 18, 2007. After the spin-off occurs, Synovus will report the historical consolidated results of operations of TSYS as discontinued operations in accordance with the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Pursuant to SFAS No. 144, this presentation is not permitted until the closing date.

Based on the number of Synovus shares outstanding as of September 30, 2007, Synovus expects that it would distribute approximately 0.49 share of TSYS for each share of Synovus stock; however, the final distribution ratio will be based on the number of Synovus shares outstanding on the record date and, accordingly, the preliminary distribution ratio is subject to change. Synovus shareholders will receive cash in lieu of fractional shares for amounts of less than one TSYS share.

Pursuant to the agreement and plan of distribution, TSYS will pay on a pro rata basis to its shareholders, including Synovus, a one-time cash dividend of $600 million, or approximately $3.04 per TSYS share, based on the number of TSYS shares outstanding as of September 30, 2007. The final per share dividend will be determined based on the number of TSYS shares outstanding on the record date for the TSYS cash dividend, which record date is currently expected to be on or around December 17, 2007. Pursuant to the agreement and plan of distribution, Synovus will receive approximately $485 million in proceeds from this one-time cash dividend.

Both the distribution of the TSYS shares by Synovus and the payment of the one-time cash dividend by TSYS are subject to certain conditions, including the approval of the spin-off by the Georgia Department of Banking and Finance, which are set forth in the agreement and plan of distribution between the parties.

Visa Inc. Litigation Settlement

On October 3, 2007, Visa Inc. (Visa) announced that it had completed restructuring transactions in preparation for its initial public offering planned for 2008. On November 7, 2007, Visa announced that it had reached a settlement with American Express involving certain litigation. Synovus has a membership interest in Visa. Synovus and other member banks have obligations to share in certain losses under various agreements with Visa in connection with this and other litigation in accordance with their proportionate membership interest. In consideration of this development, Synovus has recorded a $12.0 million liability for the litigation settlement and a corresponding pre-tax expense for the three months ended September 30, 2007.

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

Executive Summary

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

About Our Business

Synovus is a diversified financial services holding company, based in Columbus, Georgia, with approximately $34 billion in assets. Synovus operates two business segments: the Financial Services segment and the Transaction Processing Services segment. The Financial Services segment provides integrated financial services including banking, financial management, insurance, mortgage, and leasing services through 37 subsidiary banks and other Synovus offices in five southeastern states. At September 30, 2007, our subsidiary banks ranged in size from $109.0 million to $7.04 billion in total assets. The Transaction Processing Services segment provides electronic payment processing services through our 81% owned subsidiary Total System Services, Inc. (TSYS), one of the world s largest companies for outsourced payment services. Our ownership in TSYS gives us a unique business mix: for the first nine months of 2007, 54% of our consolidated revenues and 35% of our net income came from TSYS. See Note 11 and the discussion on page 21 regarding Synovus intended distribution of its ownership interest in TSYS to Synovus shareholders in a spin-off transaction.

Our Key Financial Performance Indicators

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

Financial Services

- Loan Growth
- Core Deposit Growth
- Net Interest Margin
- Credit Quality
- Fee Income Growth
- Expense Management

TSYS

- Revenue Growth
- Expense Management
- Operating Margin

2007 Financial Performance Highlights

Consolidated

- On October 25, 2007, Synovus originally reported results of operations for the three and nine months ended September 30, 2007, which have been subsequently revised based on information received very recently pursuant to our obligations relative to our membership interest in Visa Inc. In light of this information, Synovus recorded a $12.0 million liability and a corresponding pre-tax expense in the third quarter of 2007. This resulted in a $7.1 million reduction in net income, or a 2 cent reduction in diluted net income per share, for the first nine months of 2007.

- Net income of $134.9 million, down 12.4%, and $444.4 million, up 0.7% for the three and nine months ended September 30, 2007, as compared to the same periods in 2006. Excluding spin-off related expenses, net income for the three and nine months ended September 30, 2007 was $140.6 million, down 8.8%, and $450.4 million, up 2.1%, respectively, as compared to the same periods in 2006.

Diluted net income per share of $0.41 for the three months ended September 30, 2007, down 13.3%, and $1.35 for the nine months ended September 30, 2007, down 1.5%, compared to the same periods a year ago. Excluding spin-off related expenses, diluted net income per share of

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$0.43 for the three months ended September 30, 2007, down 9.7%, and $1.37 for the nine months ended September 30, 2007, down 0.2%, as compared to the same periods in the previous year.

Presentation of net income and diluted net income per share excluding the expenses associated with the intended TSYS spin-off are non-GAAP (Generally Accepted Accounting Principles) financial measures. The following table reconciles net income and diluted net income per share, comparing non-GAAP financial measures to GAAP financial measures.

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
(In thousands, except per share data)	**2007**	2006	% Chg	**2007**	2006	% Chg
Financial Services:						
Net income	**$ 79,332**	109,983	(27.9%)	**289,387**	310,127	(6.7%)
Spin-off related expenses incurred by Synovus Financial Services, net of income taxes	**4,245**		nm	**4,606**		nm
Net income as adjusted	**83,577**	109,983	(24.0)	**293,993**	310,127	(5.2%)
TSYS:						
Net income, net of minority interest	**55,611**	44,083	26.2	**155,059**	131,243	18.1
Spin-off related expenses incurred by TSYS, net of income taxes and minority interest	**1,368**		nm	**1,368**		nm
Net income as adjusted	**56,979**	44,083	29.3	**156,427**	131,243	19.2
Consolidated net income as adjusted	**$ 140,556**	154,066	(8.8%)	**450,420**	441,370	2.1%
Net income per diluted share	**$ 0.41**	0.47	(13.3%)	**1.35**	1.37	(1.5%)
Spin-off related expenses, net of income taxes and minority interest	**0.02**		nm	**0.02**		nm
Net income per diluted share as adjusted	**$ 0.43**	0.47	(9.7%)	**1.37**	1.37	(0.2%)

Note:
nm = not meaningful

Synovus believes that the above non-GAAP financial measures provide meaningful information to assist investors in understanding Synovus financial results, exclusive of items that management believes are not reflective of its ongoing operating results. The non-GAAP measures should not be considered by themselves or as a substitute for the GAAP measures. The non-GAAP measures should be considered as an additional view of the way Synovus financial measures are affected by the non-recurring transaction costs associated with the intended distribution of Synovus ownership interest in TSYS to Synovus shareholders in a spin-off transaction.

Financial Services

Net income of $79.3 million, down 27.9%, and $289.4 million, down 6.7% for the three and nine months ended September 30, 2007, respectively, as compared to the same periods in 2006. Excluding spin-off related expenses, net income of $83.6 million, down 24.0%, and $294.0 million, down 5.2%, for the three and nine months ended September 30, 2007 as compared to the same periods in the previous year.

Net interest margin: 4.02% and 4.05% for the three and nine months ended September 30, 2007, respectively, as compared to 4.30% and 4.34% for the same periods in 2006.

Loan growth: 6.5% increase from September 30, 2006

Credit quality:

Non-performing assets ratio of 1.16%, compared to 0.50% at December 31, 2006 and 0.52% at September 30, 2006.

Past dues over 90 days and still accruing interest as a percentage of total loans of 0.09%, compared to 0.14% at December 31, 2006 and 0.07% at September 30, 2006.

Total past dues over 30 days and still accruing interest as a percentage of total loans of 0.89% compared to 0.62% at December 31, 2006 and 0.58% at September 30, 2006.

Net charge-off ratio of 0.51% for the three months ended September 30, 2007 compared to 0.20% for the three months ended September 30, 2006, and 0.30% compared to 0.21% for the first nine months of 2007 and 2006, respectively.

Core deposit (total deposits less brokered time deposits) growth: 3.3% increase from September 30, 2006.

Fee income: up 18.9% for the three months ended September 30, 2007 and 10.8% for the nine months ended September 30, 2007 compared to the corresponding periods in the prior year.

Non-interest expense up 13.3% and 8.6% for the three and nine months ended September 30, 2007, respectively, compared to the corresponding periods in the prior year (up 4.8% and 5.7%, respectively, excluding spin-off related expenses and the Visa litigation settlement expense).

TSYS

Revenue growth before reimbursable items: 4.9% and 5.1% for the three and nine months ended September 30, 2007 compared to the corresponding periods in the prior year.

Expense growth before reimbursable items: (0.8)% and 1.0% for the three and nine months ended September 30, 2007 compared to the corresponding periods in the prior year.

Net income growth: 26.7% and 18.3% for the three and nine months ended September 30, 2007 compared to the corresponding periods in the prior year.

Other highlights at TSYS include:

TSYS and Discover Financial Services signed an issuer processor agreement, under which terms TSYS will process prepaid and credit card transactions on the Discover network.

TSYS and Nationwide signed an agreement which will allow TSYS to process Nationwide s credit card account portfolio and operate a customer care center for member support services, scheduled to begin during the first quarter of 2008. Based on the scope of services, Nationwide would rank among TSYS largest clients.

TSYS and The Gift Voucher Shop (GVS) successfully launched GVS One4all retail gift card campaign in post offices throughout Ireland and on the GVS Web site.

Other highlights at Synovus include:

On October 25, 2007, Synovus announced that its Board of Directors has approved an agreement and plan of distribution with TSYS to spin-off to Synovus shareholders the shares of TSYS stock currently owned by Synovus. Synovus currently owns 80.7% of TSYS. The spin-off is expected to be tax-free to Synovus and its shareholders. The distribution of the approximately 159.6 million TSYS shares owned by Synovus will be made to Synovus shareholders on a pro-rata basis and is expected to occur on December 31, 2007. The record date for this distribution is currently expected to be on our about December 18, 2007.

Based on the number of Synovus shares outstanding as of September 30, 2007, Synovus expects that it would distribute approximately 0.49 share of TSYS for each share of Synovus stock; however, the final distribution ratio will be based on the number of Synovus shares outstanding on the record date and, accordingly, the preliminary distribution ratio is subject to change. Synovus shareholders will receive cash in lieu of fractional shares for amounts of less than one TSYS share.

Pursuant to the agreement and plan of distribution, TSYS will pay on a pro rata basis to its shareholders, including Synovus, a one-time cash dividend of $600 million, or approximately $3.04 per TSYS share, based on the number of TSYS shares outstanding as of September 30, 2007. The final per share dividend will be determined based on the number of TSYS shares outstanding on the record date for the TSYS cash dividend, which record date is currently expected to be on our around December 17, 2007. Pursuant to the agreement and plan of distribution, Synovus will receive approximately $485 million in proceeds from this one-time cash dividend.

Both the distribution of the TSYS shares by Synovus and the payment of the one-time cash dividend by TSYS are subject to certain conditions, including the approval of the spin-off by the Georgia Department of Banking and Finance, which are set forth in the agreement and plan of distribution between the parties.

Immediately following the distribution of TSYS shares, Synovus intends to adjust its dividend so that Synovus shareholders who retain their TSYS shares will initially receive, in the aggregate, the same dividend per share that existed before the spin-off. As a result, Synovus will lower its annual dividend per share from $0.82 to approximately $0.68 and, immediately following the spin-off, TSYS intends for its annual dividend per share to remain at $0.28, which translates to an aggregate $0.82 dividend per share to Synovus shareholders who retain their TSYS shares. Decisions regarding future dividends will be made independently by the Synovus Board of Directors and the TSYS Board of Directors for their respective companies.

On October 3, 2007, Visa announced that it had completed restructuring transactions in preparation for its initial public offering planned for 2008. On November 7, 2007, Visa announced that it had reached a settlement with American Express involving certain litigation. Synovus has a membership interest in Visa. Synovus and other member banks have obligations to share in certain losses under various agreements with Visa in connection with this and other litigation. Accordingly, Synovus recorded a $12.0 million liability and a corresponding pre-tax expense, which reduced net income by $7.1 million (or a 2 cent reduction in diluted net income per share), for the three and nine months ended September 30, 2007. Synovus expects that its proportionate share of the proceeds of the planned Visa initial public offering will offset this liability in future periods.

2007 Earnings Outlook

Synovus expects 2007 diluted net income per share to be approximately $1.83, based in part upon the following assumptions for the year:

Mid single digit loan growth.

Net interest margin of approximately 4.04%.

Net charge-off ratio of approximately 0.34%.

Synovus share of the Visa litigation settlement obligation not exceeding $12.0 million.

The aforementioned earnings guidance of approximately $1.83 does not include the expenses associated with the planned TSYS spin-off transaction.

Critical Accounting Policies

The accounting and financial reporting policies of Synovus conform to U.S. generally accepted accounting principles and to general practices within the banking and electronic payment processing industries. Synovus has identified certain of its accounting policies as critical accounting policies. In determining which accounting policies are critical in nature, Synovus has identified the policies that require significant judgment or involve complex estimates. The application of these policies has a significant impact on Synovus financial statements. Synovus financial results could differ significantly if different judgments or estimates are applied in the application of these policies.

Synovus critical accounting policies are described in the Financial Review section of Synovus 2006 Annual Report on Form 10-K. Except as discussed below, there have been no material changes to Synovus critical accounting policies, estimates, and assumptions, or the judgments affecting the application of these estimates and assumptions in 2007.

During the three months ended June 30, 2007, Synovus implemented certain refinements to its allowance for loan losses methodology, specifically the way that loss factors are derived. These refinements resulted in a reallocation of the factors used to determine the allocated and unallocated components of the allowance along with a more disaggregated approach to estimate the required allowance by loan portfolio classification. These changes did not have a significant impact on the total allowance for loan losses or provision for losses on loans.

Allowance for Loan Losses

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

Commercial Loans Risk Ratings and Loss Factors

Commercial loans are assigned a risk rating on a nine point scale. For commercial loans that are not considered impaired, the allocated allowance for loan losses is determined based upon the loss percentage factors that correspond to each risk rating.

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

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

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Impaired Loans
Management considers a loan to be impaired when the ultimate collectibility of all amounts due according to the contractual terms of the loan agreement are in doubt. A majority of our impaired loans are collateral dependent. The impairment on these loans is determined based upon fair value estimates (net of selling costs) of the respective collateral. The actual losses on these loans could differ significantly if the fair value of the collateral is different from the estimates used by Synovus in determining the impairment. The majority of Synovus impaired loans are secured by real estate. The fair value of these real estate properties is generally determined based upon appraisals performed by a certified or licensed appraiser. Management also considers other factors or recent developments which could result in adjustments to the collateral value estimates indicated in the appraisals.
Retail Loans Loss Factors
The allocated allowance for loan losses for retail loans is generally determined by segregating the retail loan portfolio into pools of homogeneous loan categories. Loss factors applied to these pools are based on the probable loss including qualitative factors. The probable loss considers the probability of default, the loss given default, and certain qualitative factors as determined by loan category and risk rating. The probability of default and loss given default were based on industry data. The qualitative factors consider credit concentrations, recent levels and trends in delinquencies and nonaccrual loans, and growth in the loan portfolio. The occurrence of certain events could result in changes to the loss factors. Accordingly, these loss factors are reviewed periodically and modified as necessary.
Unallocated Loss Factors
Unallocated loss factors included in the determination of the unallocated allowance are economic factors, changes in the experience, ability, and depth of lending management and staff, and changes in lending policies and procedures, including underwriting standards. Certain macro- economic factors and changes in business conditions and developments could have a material impact on the collectibility of the overall portfolio. This would impact the allowance for loan losses and corresponding credit costs. As an example, a rapidly rising interest rate environment could have a material impact on certain borrowers ability to pay.
Business Combinations and Discontinued Operations
Refer to Note 6 of the Notes to Consolidated Financial Statements (unaudited) for a discussion of business combinations and discontinued operations.
Balance Sheet
During the first nine months of 2007, total assets increased $1.72 billion. The more significant increases consisted of loans, net of unearned income, up $1.12 billion, investment securities available for sale up $276.4 million, and other assets (primarily cash surrender value of bank owned life insurance and, to a lesser degree, other real estate) up $289.2 million.
Providing the necessary funding for the balance sheet growth during the first nine months of 2007, the core deposit base (total deposits excluding brokered time deposits) grew $172.1 million, federal funds purchased and other short-term liabilities increased $995.9 million, Federal Home Loan Bank advances (a component of long-term debt) increased $336.0 million, and shareholders equity increased $352.9 million.

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Trading Account Assets

The trading account assets portfolio is substantially comprised of mortgage-backed securities which are bought and held principally for sale and delivery to correspondent and retail customers of Synovus. Trading account assets are reported on the consolidated balance sheets at fair value, with unrealized gains and losses included in other operating income on the consolidated statements of income. Synovus recognized a net gain on trading account assets of $666 thousand and a net loss of $136 thousand for the nine and three months ended September 30, 2007, respectively, compared to net gains of $1.2 million and $781 thousand for the same periods in the prior year.

Loans

At September 30, 2007, loans outstanding were $25.77 billion, an increase of $1.58 billion, or 6.5%, compared to September 30, 2006. On a sequential quarter basis, total loans outstanding grew by $232.9 million or 3.6% annualized. Total loans as of September 30, 2007 for the five southeastern state areas in which Synovus banks are located include loans by state of: Georgia $13.47 billion, South Carolina $3.90 billion, Alabama $3.62 billion, Florida $3.59 billion, and Tennessee $1.20 billion. As a percentage of the total loan portfolio, loans by state at September 30, 2007, December 31, 2006, and September 30, 2006 were: Georgia 52.3%, 52.8%, and 52.5%, South Carolina 15.1%, 14.5%, and 14.3%, Alabama 14.1%, 14.5%, and 14.8%, Florida 13.9%, 13.9%, and 14.0%, and Tennessee 4.6%, 4.3%, and 4.4%, respectively.

At September 30, 2007, total loans in the Atlanta market were $5.1 billion, or 19.8% of the total loan portfolio, and increased $633.1 million, or 14.2%, compared to the same period in the prior year. The Atlanta market included commercial real estate (CRE) loans of $2.98 billion and commercial and industrial (C&I) loans of $1.73 billion at September 30, 2007. Compared to September 30, 2006, CRE loans and C&I loans in the Atlanta market increased by $295.7 million, or 11.0%, and $308.8 million, or 21.7%, respectively. On a sequential quarter basis, Atlanta market loans grew at an annualized rate of 7.7%, CRE loans grew at an annualized rate of 1.2%, and C&I loans grew at an annualized rate of 20.7%.

Total loans in coastal markets were $3.55 billion, representing 13.8% of the total loan portfolio at September 30, 2007, and increased $184.3 million, or 5.5%, compared to the same period in the prior year. Compared to September 30, 2006, CRE loans in the coastal market decreased $44.0 million, or 2.5%, and C&I loans increased $180.7 million, or 15.4%. On a sequential quarter basis, loans in coastal markets grew at an annualized rate of 0.9%, CRE loans decreased at an annualized rate of 13.1%, and C&I loans grew at annualized rate of 10.2%.

Total loans in other markets (excluding the Atlanta and coastal markets) at September 30, 2007 were $17.11 billion, or 66.4% of the total loan portfolio, and increased $761.9 million, or 4.7% compared to the same period in the prior year. Compared to September 30, 2006, CRE loans increased $345.8 million, or 5.4%, while C&I loans increased $183.1 million, or 2.5%. On a sequential quarter basis, loans in other markets grew at annualized rates of 3.0%, CRE loans grew at an annualized rate of 2.5%, and C&I loans decreased at annualized rate of 1.1%.

Loans for land acquisition grew by $73.6 million, or 7.0% annualized, from December 31, 2006, and increased $45.6 million, or 12.7% annualized, from June 30, 2007.

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Loans for other investment property grew by $173.9 million, or 53.5% annualized, from December 31, 2006, and $201.3 million, or 49.5%, from September 30, 2006. Loans for other investment property decreased by $35.9 million, or 22.1% annualized, from June 30, 2007. The primary areas which contributed to the decrease in other investment property as compared to the prior quarter were loans within the Florida markets and in two Georgia banks outside the Atlanta area. Other investment property consists of warehouses, manufacturing facilities, mini-storage facilities, and all other non-owner occupied CRE.

Loans for residential development increased $233.6 million, or 15.3% annualized, while loans for commercial development increased $60.8 million, or 9.3% annualized, from December 31, 2006. On a linked-quarter basis, loans for residential development decreased $28.0 million, or 4.8% annualized, while loans for commercial development increased $16.5 million, or 7.1% annualized.

Retail loans at September 30, 2007 total $3.87 billion, representing 15.0% of the total loan portfolio. Total retail loans grew by 8.7% on a year over year basis and 14.7% on a sequential quarter basis, led principally by growth in home equity and consumer mortgage loans.

Credit Quality

The non-performing assets ratio (non-performing loans plus other real estate divided by total loans plus other real estate) was 1.16% at September 30, 2007 compared to 0.87% at June 30, 2007 and 0.50% at December 31, 2006. The net charge-off ratio for the three months ended September 30, 2007 was 0.51% compared to 0.20% for the same period of 2006. The net charge-off ratio for the nine months ended September 30, 2007 was 0.30% compared to 0.21% for the same period of 2006 and 0.26% for the year ended December 31, 2006.

The provision for losses on loans was $58.8 million for the three months ended September 30, 2007 compared to $18.4 million for the three months ended September 30, 2006. For the nine months ended September 30, 2007, the provision for loan losses was $99.6 million compared to $56.4 million for the same period in 2006. For the nine months ended September 30, 2007, total provision expense covered net charge-offs by 1.74 times compared to 1.57 times for the same period a year ago.

Non-performing assets, net charge-offs, and provision expense as of and for the three months ended September 30, 2007 were significantly impacted by Synovus loan portfolio in the greater Ft. Myers, Florida area (primarily residential construction loans). Total loans within the greater Ft. Myers area portfolio accounted for 16 basis points of the non-performing assets ratio at September 30, 2007 (or 7 basis points of the sequential quarter increase); $17.0 million or 27 basis points of the net charge-off ratio for the third quarter; and $21.2 million of the total provision expense for the third quarter. To a lesser extent, the one-to-four family residential development portfolios located in markets in south Atlanta and portions of the west coast of the Florida peninsula outside the greater Ft. Myers area also contributed to the increase in non-performing loans and provision for loan losses during the third quarter.

Total past due loans (and still accruing interest) were 0.89% of total loans at September 30, 2007 compared to 0.64% at June 30, 2007 and 0.62% at December 31, 2006. The sequential quarter increase was primarily due to increases in loans 30-89 days past due within the investment properties and one to four family residential portfolios in the west coast of the Florida peninsula, the Florida panhandle, and the Atlanta markets. Loans over 90 days past due and still accruing interest at September 30, 2007 were $22.7 million, or 0.09% of total loans, compared to 0.09% at June 30, 2007 and 0.14% at December 31, 2006. These loans are in the process of collection,

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and management believes that sufficient collateral value securing these loans exists to cover contractual interest and principal payments on the loans. Management further believes the resolution of these delinquencies will not cause a material increase in non-performing assets.

The allowance for loan losses is $356.9 million, or 1.38% of net loans, at September 30, 2007 compared to $314.5 million, or 1.28% of net loans, at December 31, 2006. The allowance to non-performing loans coverage was 159.29% at September 30, 2007, compared to 325.45% at December 31, 2006. The change in the coverage ratio was impacted by the increase in collateral dependent impaired loans, which have no allowance for loan losses since the estimated losses have been recognized as current period charge offs.

(*Dollars in thousands*)	**September 30, 2007**	December 31, 2006
Non-performing loans	**$ 224,055**	96,622
Other real estate	**76,514**	25,923
Non-performing assets	**$ 300,569**	122,545
Loans over 90 days past due and still accruing	**$ 22,667**	34,495
As a % of loans	**0.09%**	0.14%
Allowance for loan losses	**$ 356,887**	314,459
Allowance for loan losses as a % of loans	**1.38%**	1.28%
As a % of loans and other real estate:		
Non-performing loans	**0.87%**	0.39%
Other real estate	**0.29**	0.11
Non-performing assets	**1.16%**	0.50%
Allowance to non-performing loans	**159.29%**	325.45%

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

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

(Dollars in thousands) **Loan Type**	**Total Loans**	**% of Total Loans Outstanding**	**Total Non-performing Loans**	**% of Total Non-performing Loans**
Multi-Family	$ 449,814	1.8%	$ 345	0.2%
Hotels	591,527	2.3		
Office Buildings	881,138	3.4	4,467	2.0
Shopping Centers	739,334	2.9	83	
Commercial Development.	937,367	3.6	6,125	2.7
Other Investment Property	608,227	2.4	324	0.2
Total Investment Properties	4,207,407	16.4	11,344	5.1
1-4 Family Construction	2,302,842	8.9	59,642	26.6
1-4 Family Perm /Mini-Perm	1,219,577	4.7	13,268	5.9
Residential Development	2,269,844	8.8	56,541	25.2
Total 1-4 Family Properties	5,792,263	22.4	129,451	57.7
Land Acquisition	1,476,042	5.7	8,782	3.9
Total Commercial Real Estate	11,475,712	44.5	149,577	66.7
Commercial, Financial, and Agricultural	6,281,941	24.4	43,935	19.6
Owner-Occupied	4,197,447	16.3	11,725	5.2
Total Commercial and Industrial	10,479,388	40.7	55,660	24.8
Home Equity	1,478,694	5.7	3,232	1.5
Consumer Mortgages	1,620,730	6.3	12,934	5.8
Credit Cards	280,192	1.1		
Other Retail Loans	485,928	1.9	2,652	1.2
Total Retail	3,865,544	15.0	18,818	8.5
Unearned Income	(45,988)	(0.2)		
Total	$ 25,774,656	100.0%	$ 224,055	100.0%