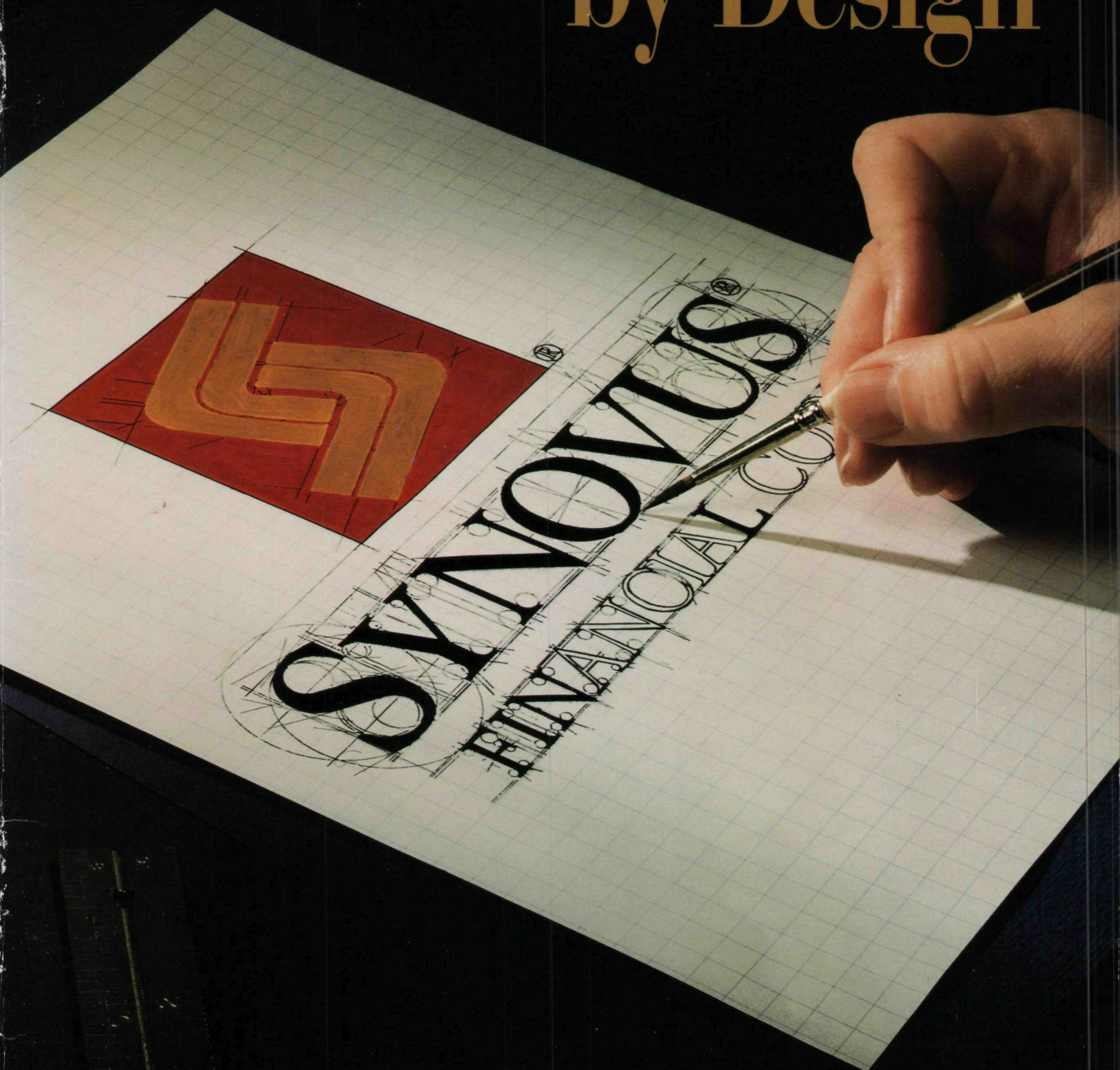


Unique by Design



ANNUAL REPORT 1995



SYNOVUS
FINANCIAL CORP.

ABOUT OUR BUSINESS

Synovus Financial Corp.[®] (Syn *ō *vus) (NYSE-SNV) is a \$7.9 billion asset, multi-financial services company headquartered in Columbus, Georgia, with a history that dates back to 1888.

Synovus owns 34 banks serving communities throughout Georgia, Alabama, Florida and South Carolina. These banks operate within a decentralized management structure and with empowered employees who care deeply for the communities they serve. This unique approach leads to superior customer service and, ultimately, superior returns for shareholders.

Synovus also owns 80.8 percent of Total System Services, Inc.SM (TSYS[®]) (NYSE-TSS), one of the world's largest credit, debit and private-label card processing companies. TSYS provides services to issuing and acquiring institutions representing more than 63 million cardholder and 600,000 merchant accounts throughout the U.S., Puerto Rico, Canada and Mexico. In addition, Synovus owns Synovus Trust Company, one of the Southeast's largest providers of trust services; Synovus Securities, Inc., a full-service brokerage firm; and Synovus Mortgage Corp., which offers mortgage servicing throughout the Southeast.

The name Synovus is a combination of the words synergy and novus — "synergy" meaning the interaction of separate components such that the result is greater than the sum of its parts, and "novus" (Latin for "new"), which means usually of superior quality and different from the others listed in the same category.

Letter to Shareholders

Dear Shareholders and Colleagues,

Synovus Financial Corp. is truly Unique by Design. Like no other company, Synovus is built upon a series of beliefs that have brought us to the forefront in community banking. Symbolic of the Synovus "Spirit," these beliefs make Synovus different...unique.

The first is *A Commitment to People*. Over the years, our company's success has resulted from the dedicated planning, design and execution of our strategy by our team members. Each is committed to fostering an atmosphere that delivers to our customers and clients a level of service that exceeds their expectations. The strong financial performance we enjoyed in 1995 is attributable to the devoted efforts of this extraordinary team.

Our *Decentralized Management Structure* lets local Synovus affiliate banks make decisions where they make the most sense — in the local community. As we've grown and more affiliate banks have joined the Synovus family, that commitment to local management has not changed. Who knows better about the needs of your town than your local banker?

Synovus affiliate companies also have *Strong Community Involvement*. From charity fundraisers to educational programs for children, Synovus affiliate companies care deeply about the health and well-being of the communities they serve. Our program to Recognize and Encourage an Atmosphere of Community and of Hope (REACH) is designed to encourage a personal sense of spirit and dedication throughout Synovus.

And, finally, we have *A Vision for the Future* that calls for continued strong financial performance from our affiliate banks and Total System Services, Inc., one of the largest credit, debit and private-label card processing companies in the world. No other bank holding company has a valuable asset like TSYS and the growth opportunities it provides us.

Over the years, these beliefs have served Synovus well. In 1995, we enjoyed a 28.1 percent growth in net income, 1.53 percent return on assets and a 17.92 percent return on equity. We entered our fourth state, South Carolina, through our merger with NBSC Corporation, and launched our first international venture as TSYS de Mexico converted 19

banks in Mexico to its card processing system. TSYS also continued to refine its new card processing software system, TS²®, announced a joint venture with Visa® U.S.A.'s Merchant Bank Services to form Vital Processing Services L.L.C. and created an alliance with DynaMark, a subsidiary of Fair, Isaac® and Co., Inc., to build a dynamic database marketing tool.

Without question, 1995 was an excellent year. We realize, however, that to stay ahead of the game we must continue to focus on the details of our design, make the necessary adjustments to our plan and then execute our strategy with precision. For example, we are committed to offering our customers greater branch-banking convenience, technology-supported personal service from our customer-contact team members and alternative banking options through technology — such as home banking via telephone or personal computer.

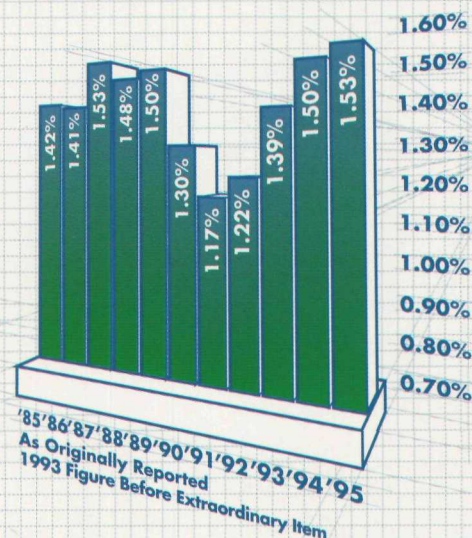
As we approach the close of this century, we intend to keep our eyes focused on the target — delivering superior service to our customers. All of us value and appreciate your support and encouragement and look forward to continuing to perform in a manner that makes Synovus unique.

Sincerely yours,

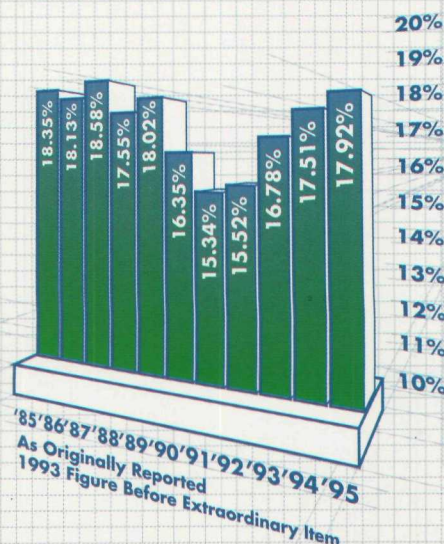


James H. Blanchard
Chairman of the Board and Chief Executive Officer

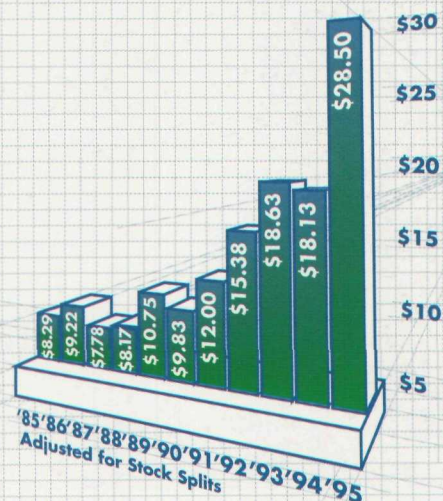
Return On Assets



Return On Equity



Closing Stock Price



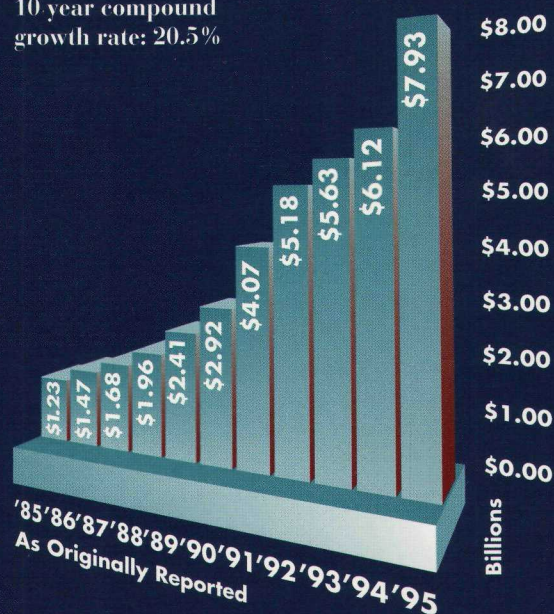
Facts & Figures

"Our greatest asset is a collection of dedicated people who are loyal, consistent and have a desire to win. This year was another winning year for the Synovus team."

— Stephen L. Burts, Jr.
President and
Chief Financial Officer
Synovus Financial Corp.

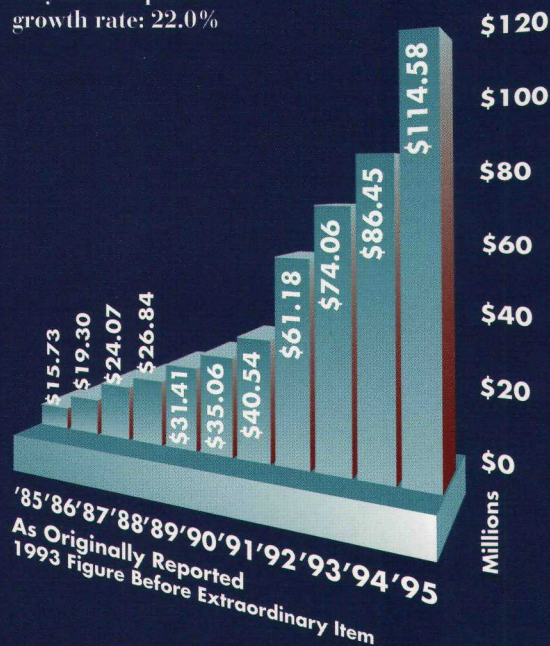
Year End Assets

10 year compound
growth rate: 20.5%



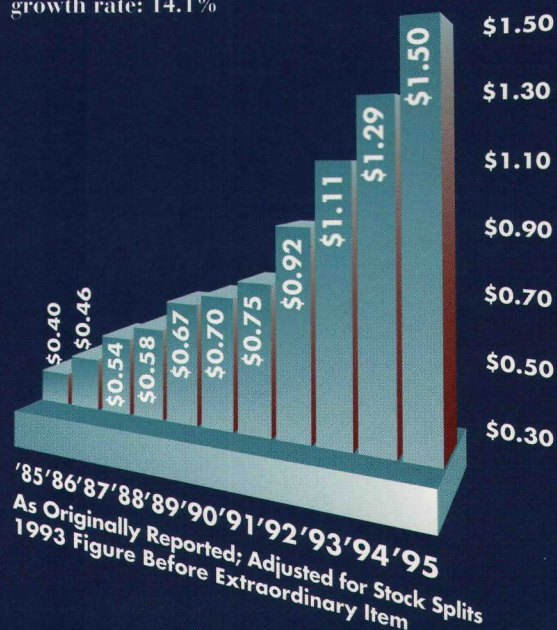
Net Income

10 year compound
growth rate: 22.0%



Earnings Per Share

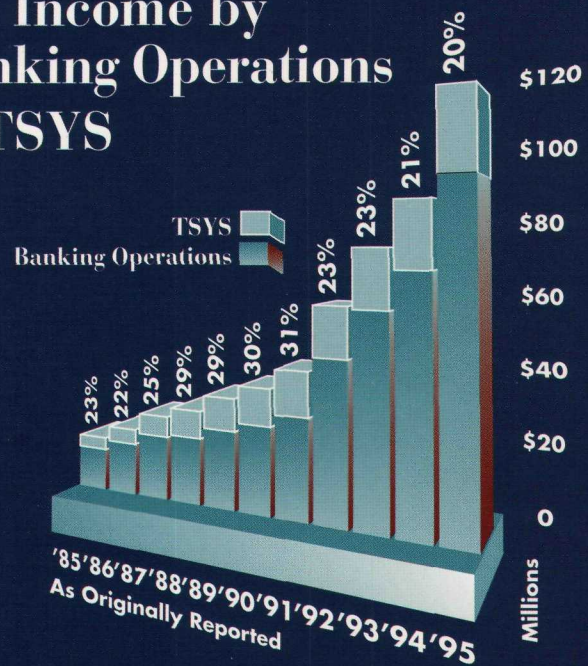
10 year compound
growth rate: 14.1%



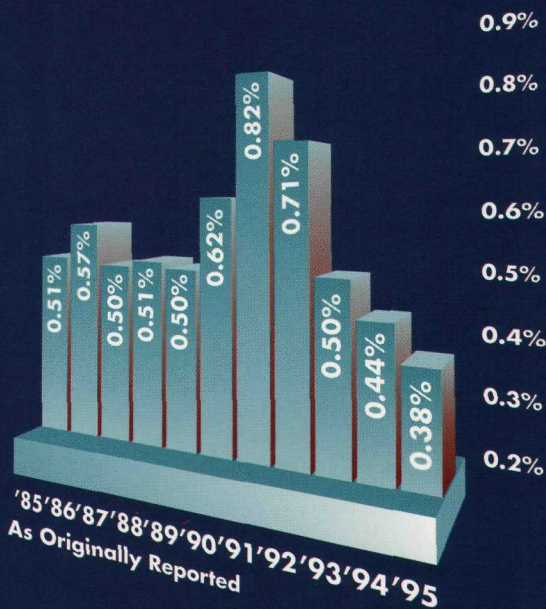
Net Income

10 year compound
growth rate: 22.0%

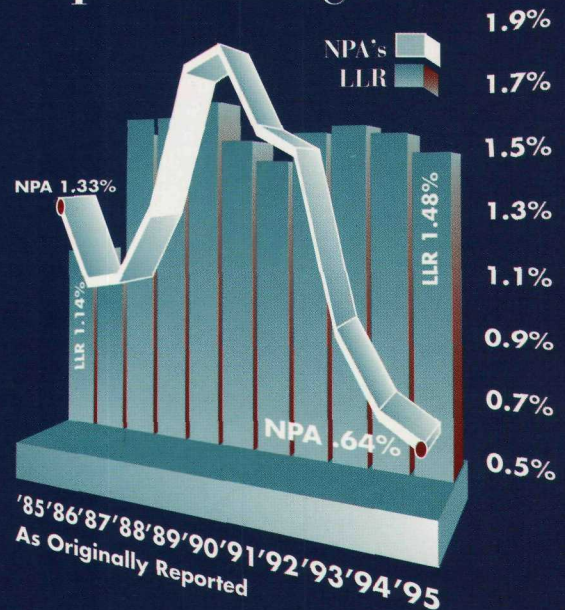
Net Income by Banking Operations & TSYS



Net Charge-Off Ratio



Loan Loss Reserve & Nonperforming Assets



THE YEAR IN REVIEW

From the beginning, 1995 seemed destined to be a year in which great things were to happen at Synovus. The early months saw the Synovus family grow significantly with the addition of three well-respected banks — including The National Bank of South Carolina.

The merger with NBSC Corporation, the parent company of The National Bank of South Carolina, added \$1.1 billion in assets and 41 banking offices to the strength of Synovus. This transaction was the largest in Synovus history and expands our growing presence into four southeastern states — Alabama, Georgia, Florida and South Carolina.

We also took important steps to modernize and enhance the way we do business: the creation of Synovus Trust Company and Synovus Administrative Services Corp. With more than \$3.3 billion in assets under administration, Synovus Trust Company ranks as one of the largest providers of trust services in the Southeast. And Synovus Administrative Services Corp. consolidates functions such as human resources, risk management, security, investor relations and communications.

In 1995, both Synovus and TSYS continued to turn in strong financial performances, reporting record earnings each quarter. TSYS also announced a number of significant alliances — with card processing partners and new client banks.

Financially and operationally, 1995 proved to be a year of strong performance and significant growth for Synovus.

Precise Advanced Move

JANUARY

- Synovus Trust Company is formed from Columbus Bank and Trust[®] Company's Trust Department to provide personal trust services, estate administration, agency and custody services, investment management, retirement plan services and corporate services with George G. Flowers as President. Synovus Trust is one of the largest providers of trust services in the Southeast.
- Synovus acquires Peach State Bank in Riverdale, Ga. Peach State is merged with an existing Synovus affiliate, Peachtree National Bank, giving the resulting bank assets of \$115 million and six full-service branches in the growing market south of Atlanta.
- Synovus promotes Jay C. McClung to Executive Vice President of Credit Administration.

DECEMBER

- TSYS fourth quarter earnings were up 32.5 percent over the same quarter in 1994, the most profitable quarter to date in the history of the 12-year-old company.

NOVEMBER

- Synovus Financial Corp. is listed 38th in the fourth edition of *The 100 Best Stocks to Own in America*.
- TSYS ranks 93rd on *Forbes'* list of "Best Small Businesses in the United States."

OCTOBER

- Synovus reports record third quarter earnings, up 22.7 percent compared to the same quarter in 1994.
- Synovus promotes G. Sanders Griffith, III, to Senior Executive Vice President, General Counsel and Secretary.
- NationsBank renews its long-term card processing contract with TSYS.
- William L. Pherigo, President and CEO of The National Bank of South Carolina, is elected to the Synovus board of directors.

SEPTEMBER

- TSYS announces an alliance with DynaMark, a subsidiary of Fair, Isaac and Co., Inc., and a leader in database marketing systems, to build a dynamic marketing database for TSYS' client base.
- TSYS de Mexico S.A. de C.V. converts its 19th bank.
- Synovus brings 16 Olympic athletes to visit 60,000 students throughout the Southeast as part of the company's REACH program.
- Synovus promotes John T. Oliver, Jr., to Vice Chairman of the Executive Committee and Richard E. Anthony to Vice Chairman of the Board.

ment . . .

by Design

FEBRUARY

- Synovus completes largest merger in its history and entry into fourth banking state, South Carolina, with addition of NBSC Corporation, the parent of the \$1.1 billion asset The National Bank of South Carolina, Columbia, S.C.
- TSYS enters medical payments arena with United States Medical Finance Corporation to process the USMed® card, a private-label card.
- Synovus announces 20 percent increase in quarterly dividend.
- Synovus promotes Kathleen A. Martin to Senior Vice President and Modernization Director.

APRIL

- Synovus reports record first quarter 1995 earnings, up 17.9 percent compared to the same quarter in 1994.
- Synovus is ranked fourth best-performing bank in the country in *US Banker's* annual Top 100 issue.
- Synovus completes acquisition of Citizens & Merchants Corporation, the parent company of the \$52 million asset Citizens & Merchants State Bank of Douglasville, Ga. — Synovus' first bank in Atlanta's western suburbs.

MAY

- Synovus is highest ranked banking company in "The Georgia 100: The Best of Business" list compiled by *The Atlanta Journal/Constitution*, ranking 25th with TSYS ranking 33rd.
- TSYS adds seven new clients to its commercial card system, increasing its share of the commercial card market to more than 50 percent.

JUNE

- Synovus Administrative Services Corp. is formed to provide Synovus affiliate companies with human resources, risk management, security, public relations, investor relations, communications, strategic planning and other services with Kenneth E. Evans as President.

JULY

- TSYS converts 18 Mexican banks through TSYS de Mexico S.A. de C.V., its jointly-owned subsidiary with Controladora PROSA S.A. de C.V., representing the largest conversion of credit card accounts in the history of Mexico's credit card industry.
- Synovus announces record second quarter earnings, up 17.7 percent over the same quarter in 1994.

AUGUST

- TSYS announces plans to merge its merchant processing operations with those of Visa U.S.A. by forming a separate, for-profit company, Vital Processing Services, which will offer a one-stop shop for merchant clients.
- TSYS purchases a 110,000 square foot building on a 23-acre site at Corporate Ridge Industrial Park in Columbus, Ga., to accommodate current work space needs and facilitate future growth.

Being close to the communities we serve is vital to the success of Synovus. You'll see it in almost everything we do — from our decentralized management structure to the participation by Synovus companies in a multitude of community activities.

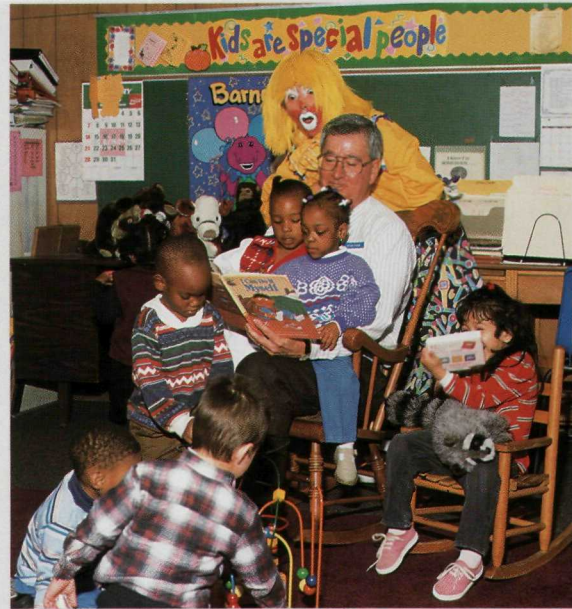
Our decentralized approach to management empowers our team members with the authority to make decisions "on the spot" — providing exceptional service to our customers. Run by employees who know and are committed to the community, each Synovus company offers products and services designed to meet the needs of customers in its specific market.

Community activities like United Way, March of Dimes, Partners in Education, Scouting, and local Boys and Girls Clubs are as much a part of Synovus as our day-to-day banking business. No matter where you go, you'll find Synovus team members deeply involved in their communities.

From Fun Runs and Heart Checks to disaster relief and community theater, it's people who make Synovus different. That's why People are the first link in our company's Value Chain.

Decentralized . . .

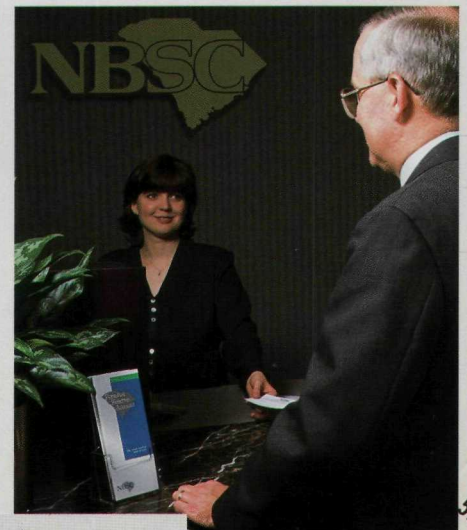
Bud Branson, President and CEO of The Quincy State Bank in Quincy, Fla., reads to 3- and 4-year-olds who participate in the Gadsden County Healthy Babies Program. Focusing on pre-natal care and education for young mothers, the Healthy Babies Program is just one of dozens of local activities supported by Synovus team members, who care about the well-being of their communities.



U.S. Olympian Willye White, the only American to have competed on five U.S. Olympic Track and Field teams — winning two silver medals — shares a smile with a student from Columbus Bank and Trust Company's Partner in Education, South Columbus Elementary School.

Keep REACHing, a Synovus REACH community effort, brought 16 Olympic athletes to elementary, middle and high schools throughout the Southeast. More than 60,000 students were inspired by the athletes' insights into the importance of having a strong sense of self-esteem, setting goals and reaching for those goals.

The merger with NBSC Corporation, the parent of Columbia, S.C.-based The National Bank of South Carolina, in February was the largest in Synovus' history and expands our growing presence into a fourth southeastern state. The move added \$1.1 billion in assets and 41 banking offices, giving us operations in Alabama, Georgia, Florida and South Carolina.



People

Culture

Strategy

Tactics

Performance

Value

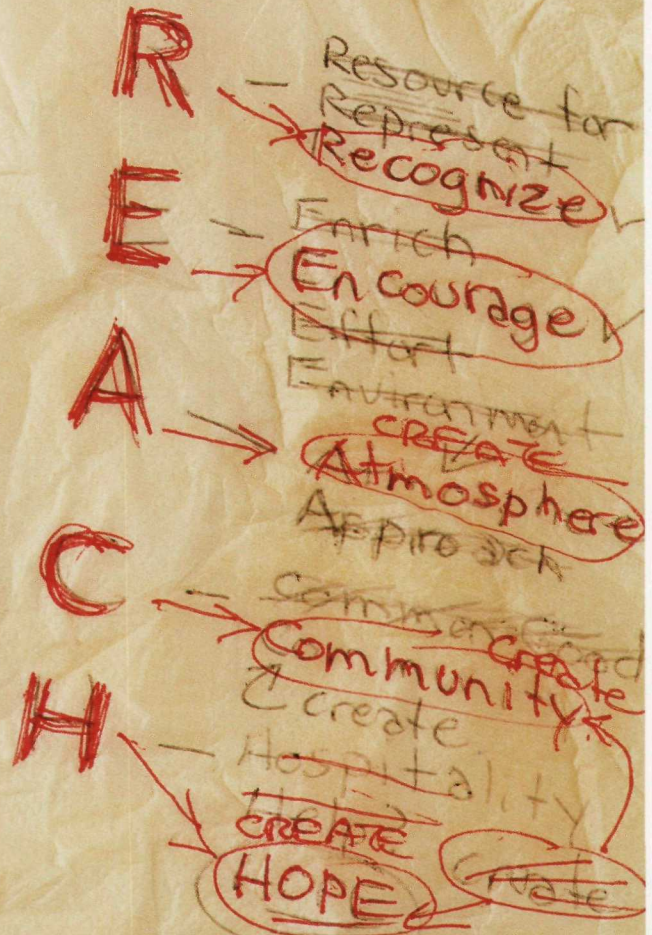
by Design

"Our community-oriented, decentralized way of doing business provides greater motivation and entrepreneurial spirit for the teams in our markets. We have team members who care about people — that's the secret of the financial services industry."

— W. Luther Taylor,
President and Chief Executive Officer
Bank of Pensacola
Pensacola, Florida



*Recognizing and Encouraging an Atmosphere
of Community and of Hope*



Synovus covers markets throughout the Southeast — from metropolitan areas like Birmingham, Ala., to growing suburbs such as Peachtree City, Ga., and thriving resorts such as Hilton Head, S.C. Wherever you go, Synovus banks deliver quality service with a personal touch to a wide variety of customers with unique needs — individual, commercial, agricultural and governmental.



Global Growth .

Synovus is reaching out to new markets ... with a vision for the future.

In 1995, Total System Services, Inc., which is 80.8 percent owned by Synovus, made a significant international expansion through its Mexican joint venture company. TSYS de Mexico now serves more than 4 million cardholder and 100,000 merchant accounts. TSYS also announced plans to merge its merchant processing operations with those of Visa U.S.A. The new company, Vital Processing Services, will deliver fully-integrated merchant transaction and electronic information services to financial institutions and their customers.

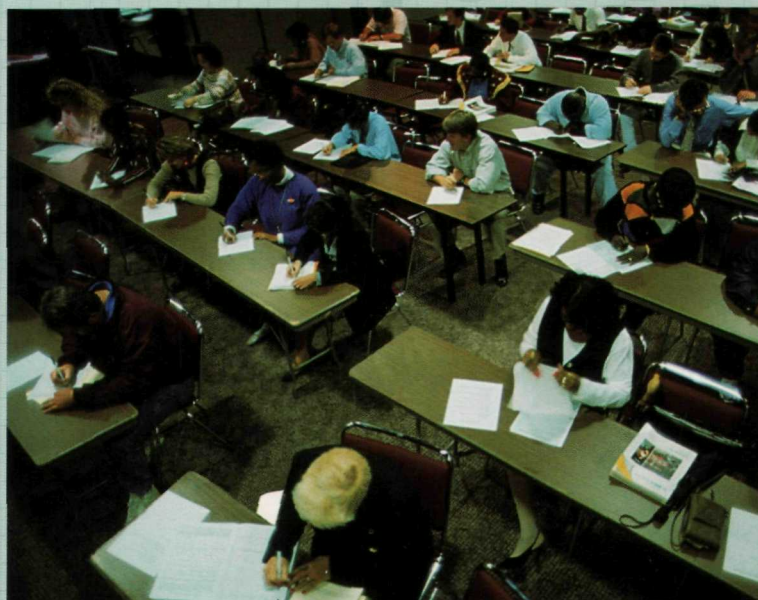
1995 was also a year to refine and enhance TSYS' new card processing system, TS², with First Omni Bank, N.A., as the first converted client. And TSYS entered a new niche business by helping United States Medical Finance Corporation offer its new medical payment card, the USMed card.

Through its alliance with DynaMark, a subsidiary of Fair, Isaac and Co., Inc., TSYS will enable its clients to analyze the profitability of their accounts, more accurately predict attrition and credit risk and perform more efficient target marketing of their cardholder base. This "alliance approach" is another TSYS first in the third-party card processing industry.



With the successful conversion of 19 banks in Mexico, TSYS has established its first significant presence outside the U.S. Operating from a 52,000-square-foot, state-of-the-art facility in Toluca, 35 miles west of Mexico City, TSYS de Mexico's clients represent more than 4 million cardholder and 100,000 merchant accounts.

Growth means new opportunities at TSYS, where more than 1,300 people recently applied for 100 programmer analyst trainee positions. Following six months of training, the new trainees with college degrees will receive second degrees in applied computer science from Columbus College, Columbus, Ga. Those without college degrees will receive 50 hours of college credit. As TSYS grows and competes in a worldwide market, it will continue to need highly-skilled, well-trained programmers and other employees with leading-edge computer skills.



by Design

Quality work, committed team members and attention to detail are the keys to success for TSYS. Round-the-clock monitoring of computer hardware and software made it possible for TSYS to process 251 million credit card transactions in 1995 — touching millions of customers and thousands of merchants around the world.

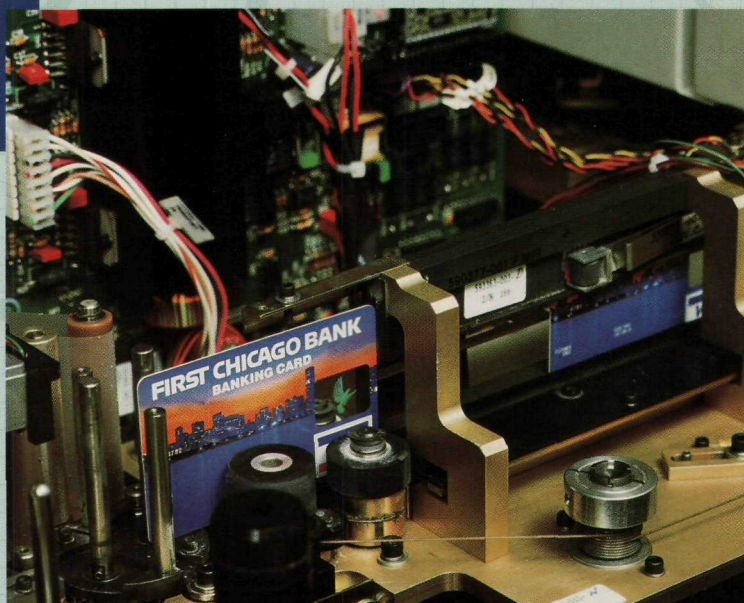
TSYS
TOTAL SYSTEM SERVICES, INC. SM



“TSYS is a high-tech, high-touch company. We offer bold innovation in technology while developing close relationships with our clients and striving to be the best provider of transaction services.”

*— Richard W. Ussery
Chairman and Chief Executive Officer
Total System Services, Inc.*

TSYS is one of the largest credit, debit and private-label card processing companies in the world. Working with financial institutions and non-bank card issuers, the company now handles card processing for more than 63 million cardholder and 600,000 merchant accounts.



Treating people and companies like individuals — that's the Synovus approach to customer service. Whether you are a homeowner who needs a second mortgage or a business owner interested in cash management services, your needs are unique. You deserve the kind of personalized attention you'll find at Synovus.

The commitment to delivering the highest quality customer service extends to all aspects of our business. To assist both affiliate banks and their customers, Synovus Securities, Inc., provides financial planning and investment services. Behind the scenes, the affiliate banks receive bank processing services from Synovus Data Corp. and mortgage services from Synovus Mortgage Corp.

The modernization of many Synovus operational functions means enhanced service. In 1995, the creation of Synovus Trust Company improved trust, risk management and other service offerings for customers throughout the Synovus family. Also formed in 1995, Synovus Administrative Services Corp. provides all affiliates consistent corporate support services.

These moves are part of Synovus' corporate commitment to continuous improvement.

For customers, they mean an ever-improving level of customer service — and more responsive, personalized attention from dedicated, well-trained people.

Customer Satisfaction . . .

"Responsive local management made it possible for the people at Vanguard Bank and Trust to help us 'weather the storm' and rebuild our business after the hurricane. They are a terrific group of caring, dedicated people."

— Phillip H. McNeill
President,
McNeill Hospitality Corp.
Hampton Inn
Destin, Florida



When Hurricane Opal slammed into the Gulf Coast in October, it devastated the property of homeowners and businesses. Lending officer Jim Mathis, Executive Vice President of Vanguard Bank and Trust of Valparaiso, Fla., worked with long-time customers like Destin, Fla., Hampton Inn Manager Rex Martin to help open their doors for business as quickly as possible.



by Design

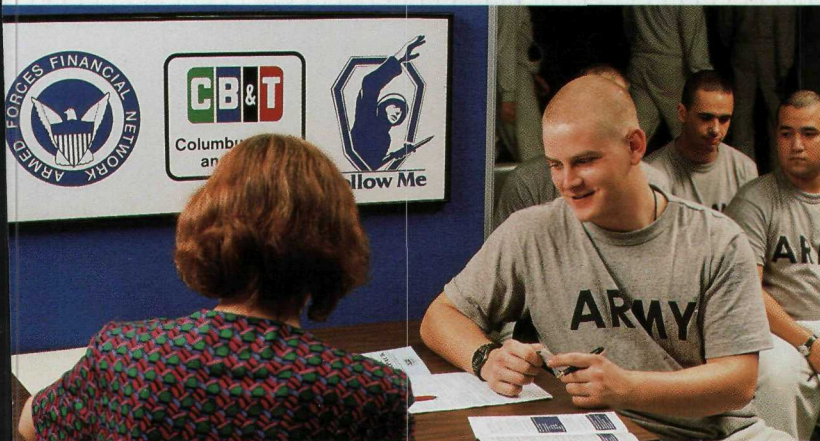


Synovus University, Synovus' training and development center, uses role-playing and other advanced educational techniques to teach all team members — from the front line to the executive offices. With the company's enhanced service initiative and sales strategy, the focus of training is to give team members the tools they need to meet customers with knowledge and confidence.

Whether in phone or in person, Synovus team members like Tiffany Grier, TSYS Merchant Client Services Manager, are committed to doing what it takes to exceed the expectations of our customers. We are dedicated to insuring that the customer is heard, assisted and satisfied in a prompt and professional manner. At Synovus, our business is all about service.



Starting as new recruits, many military personnel open accounts with Synovus banks — and remain customers for life. Our military banking program makes it possible for these soldiers to conduct business with Columbus Bank and Trust Company's Ft. Benning branch from anywhere in the world. Synovus banks have branch offices on or near 12 Army, Air Force, Navy and Marine Corps bases throughout the Southeast.



**Wouldn't It Be Nice If
We All Took So Much
Pride In Our Work?**

Lloyd Cochran is a retired school principal who now spends his time winning numerous awards for his life-like carvings. Just as each wood-carved duck he creates is unique, Lloyd appreciates how Randy Street and Cohutta Banking Company treat him as an individual, with unique financial needs and goals. The same traits that make Lloyd an award-winning woodcarver have made Cohutta Banking Company successful, too, such as solid commitment, dedication, and a good eye for detail. Stop by Cohutta Banking Company today and see for yourself. We believe that's banking the way it should be.

COHUTTA BANKING COMPANY
Banking The Way It Should Be.

We are a proud member of the Synovus Financial Corp. Family of companies

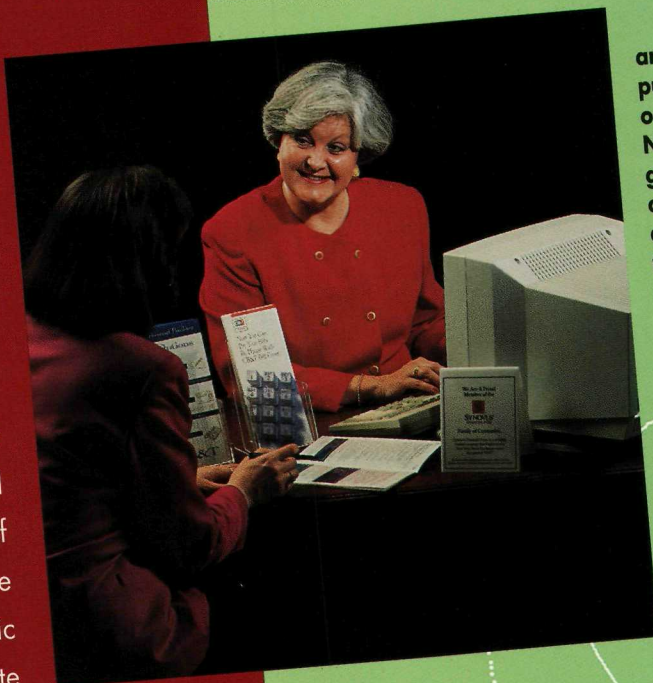
Strategies . . .

A continued focus on people. Solid credit quality. An enhanced service and sales culture. Alternative banking options through technology with a personal touch. Modernized, streamlined "back-room" operations. Strong investment options. Selected acquisitions while continuing to strengthen our banking market shares. Continued growth from TSYS.

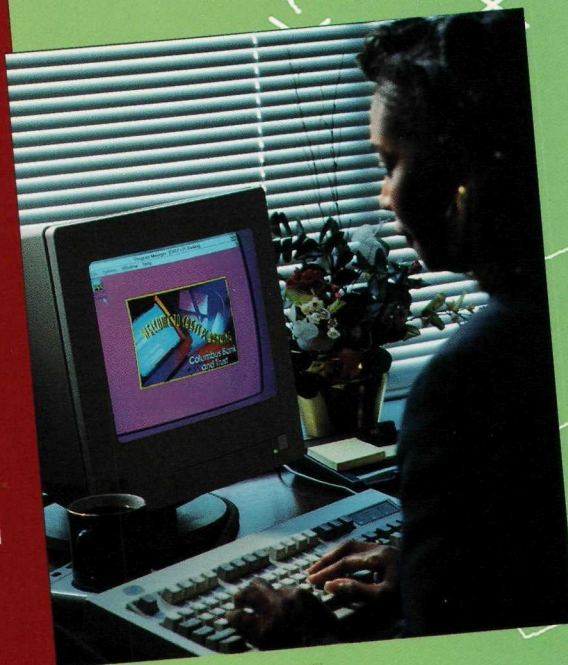
When you look ahead at the future of Synovus, you'll see a kaleidoscope of opportunities. From the Gulf Coast to the Atlantic Coast, Synovus affiliate banks are helping spur the growth of communities throughout the Southeast. And we'll continue to offer new and better ways to do business in the years to come — in our offices and in your homes.

Wherever you go, Synovus people are committed to delivering the highest quality service available with a unique personalized spirit. And Synovus companies are dedicated to constantly improving our financial and operational performance — year after year.

A quality-oriented community banking organization. A leader in card processing technology. A performance-driven plan for growth through selective acquisitions and alliances. That's Synovus.



Synovus' continuing modernization and platform automation efforts are putting the right tools in the hands of our customer contact team members. New information technology means greater efficiency in retrieving and completing forms and documentation, allowing customer service representatives to focus on the customer — and not on the form.



Synovus' alternative banking efforts include technology-based home banking options. Using a standard or display phone, customers can pay bills, transfer funds, check balances and perform other functions. And coming soon: home banking via the personal computer.

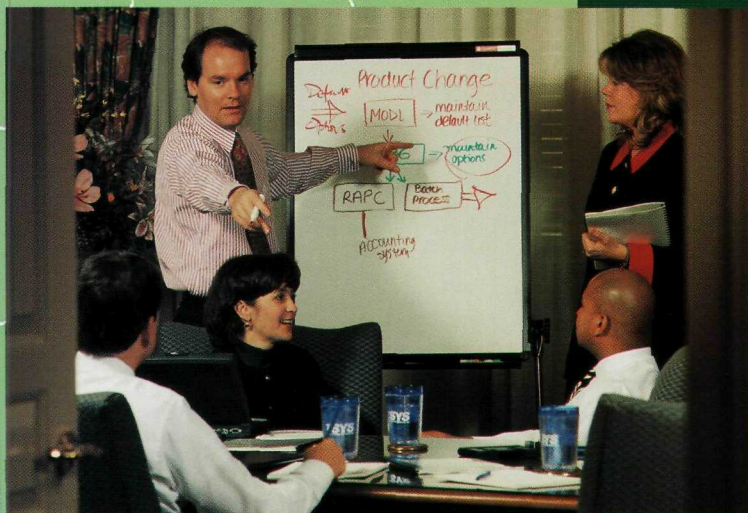
by Design

The Synovus "Spirit" comes alive at our team meetings such as this 1995 meeting which featured John Naber, Olympic gold medalist and motivational speaker. During this meeting, John encouraged the team to achieve Gold Medal Performance[®] using his eight-step model for success. His message of "No Deposit: No Return" inspired the team to make the winning score in 1995.



"We're never satisfied with the status quo. We always want to continue growing, reaching out and exploring. High performance, solid growth and outstanding quality — that's what we expect as we move forward."

— James D. Yancey
Vice Chairman of the Board
Synovus Financial Corp.




Dedicated to customer service with a passion for quality, Synovus employees such as these TSYS team members meet regularly to brainstorm, develop product strategies, troubleshoot and look for better ways to serve our customers.

Strong Leadership . . .

Affiliate	Chief Executive	Assets 12/31/95 (000s)
GEORGIA BANKING		
Columbus Bank and Trust Company Columbus, Ga.	Samuel M. Wellborn, III	\$1,516,521
Commercial Bank Thomasville, Ga.	Frederick D. Jefferson	227,649
Commercial Bank and Trust Company LaGrange, Ga.	Robert L. Carmichael, Jr.	141,049
Security Bank and Trust Company Albany, Ga.	Walter M. Deriso, Jr.	181,643
Sumter Bank and Trust Company Americus, Ga.	Randy B. Jones, Jr.	161,473
The Coastal Bank of Georgia Brunswick, Ga.	James R. Chaney	152,751
First State Bank and Trust Company Valdosta, Ga.	J. Edward Norris, Jr.	157,513
Bank of Hazlehurst Hazlehurst, Ga.	Jack C. Floyd	45,636
Citizens Bank & Trust of West Ga. Carrollton, Ga.	James A. Gill	230,221
Cohutta Banking Company Chatsworth, Ga.	Edward E. Lewandowski	126,488
Bank of Coweta Newnan, Ga.	Donald C. Phillips	157,824
First Community Bank Tifton, Ga.	John M. Davis	111,208
CB&T Bank of Middle Georgia Warner Robins, Ga.	R. Gary Bishop	144,996
The National Bank of Walton County Monroe, Ga.	J. Keith Caudell	123,346
Sea Island Bank Statesboro, Ga.	David H. Averitt	182,754
Citizens First Bank Rome, Ga.	Roger F. Smith	149,000
Athens First Bank & Trust Company Athens, Ga.	James L. LaBoon, Jr.	518,548
The Citizens Bank Fort Valley, Ga.	Freddy C. Greer	65,318
The Citizens Bank of Cochran Cochran, Ga.	Billy E. Nalls	47,221
Peachtree National Bank Peachtree City, Ga.	W. Ronald Duffey	119,001
Citizens & Merchants State Bank Douglasville, Ga.	Kenneth L. Barber	56,734
Georgia Banking		\$4,616,894

by Design



Affiliate	Chief Executive	Assets 12/31/95 (000s)
ALABAMA BANKING		
Community Bank & Trust of Southeast Alabama Fort Rucker, Ala.	H. Lamar Loftin	\$ 119,259
CB&T Bank of Russell County Phenix City, Ala.	C. Samuel Howard, Jr.	107,300
First National Bank Jasper, Ala.	L. Gwaltney McCollum, Jr.	378,790
First Commercial Bank Birmingham, Ala.	Thomas A. Broughton, III	563,124
The Bank of Tuscaloosa Tuscaloosa, Ala.	James B. Flemming	155,804
Sterling Bank Montgomery, Ala.	W. Alan Worrell	136,431
First Commercial Bank Huntsville, Ala.	Charles E. Kettle	133,961
Alabama Banking		\$1,594,669
FLORIDA BANKING		
The Quincy State Bank Quincy, Fla.	W.C. Branson	\$ 102,307
The Tallahassee State Bank Tallahassee, Fla.	W. Booker Moore, III	90,220
Vanguard Bank and Trust Valparaiso, Fla.	M. Gary Roberts	202,451
Bank of Pensacola Pensacola, Fla.	W. Luther Taylor	100,586
First Coast Community Bank Fernandina Beach, Fla.	James M. Townsend	58,179
Florida Banking		\$ 553,743
SOUTH CAROLINA BANKING		
The National Bank of South Carolina Columbia, S.C.	William L. Pherigo	\$1,178,375
OTHER COMPANIES		
Total System Services, Inc.	Richard W. Ussery	
Synovus Mortgage Corp.	Paul D. Jones	
Synovus Securities, Inc.	G. Leonard Sexton, III	
Synovus Trust Company	George G. Flowers	
Synovus Administrative Services Corp.	Kenneth E. Evans	
Synovus Data Corp.	F. Stevenson Brice, Jr.	

Senior Management

James H. Blanchard

Chairman of the Board and Chief Executive Officer

William B. Turner

Chairman of the Executive Committee

John T. Oliver, Jr.

Vice Chairman of the Executive Committee

James D. Yancey

Vice Chairman of the Board

Joe E. Beverly

Vice Chairman of the Board

Richard E. Anthony

Vice Chairman of the Board

Stephen L. Burts, Jr.

President and Chief Financial Officer

G. Sanders Griffith, III

*Senior Executive Vice President,
General Counsel and Secretary*

Thomas J. Prescott

Executive Vice President and Treasurer

Jay C. McClung

*Executive Vice President
Credit Administration*

Charles G. Harbour

Senior Vice President and Auditor

Kathleen A. Martin

*Senior Vice President
Modernization Director*

Kathleen Moates

*Senior Vice President
Deputy General Counsel*

Lucius D. Morton

*Senior Vice President
Loan Administration*

Robert W. Robbins

*Senior Vice President
Product Sales*

Calvin Smyre

*Senior Vice President
Assistant to the Chairman for Governmental Affairs*

Directors

Daniel P. Amos

*President and Chief Executive Officer
AFLAC Incorporated*

Richard E. Anthony

*Vice Chairman of the Board
Synovus Financial Corp.
Chairman of the Board
First Commercial Bank*

Joe E. Beverly

*Vice Chairman of the Board
Synovus Financial Corp.
Chairman of the Board
Commercial Bank*

Richard H. Bickerstaff**

*Consultant
Boral Bricks, Inc.*

James H. Blanchard

*Chairman of the Board and
Chief Executive Officer
Synovus Financial Corp.
Chairman of the Executive Committee
Total System Services, Inc.*

Richard Y. Bradley

*Attorney at Law
Bradley & Hatcher*

Stephen L. Burts, Jr.

*President and Chief Financial Officer
Synovus Financial Corp.*

Lovick P. Corn**

*Vice Chairman of the Executive Committee
W. C. Bradley Co.*

Salvador Diaz-Verson, Jr.

*Chairman and Chief Executive Officer
Diaz-Verson Capital Investments, Inc.*

C. Edward Floyd, M.D.

Floyd Medical Associates, P.A.

Gardiner W. Garrard, Jr.

*President
The Jordan Company*

Roy M. Greene, Sr.**

*Chairman of the Board and President
Greene Communications, Inc.*

V. Nathaniel Hansford

*Professor and Dean Emeritus
University of Alabama School of Law*

John P. Illges, III*

*Senior Vice President
The Robinson-Humphrey Company, Inc.*

Mason H. Lampton

*President and Chief Executive Officer
The Hardaway Company*

John L. Moulton

*Chairman of the Board
Security Bank and Trust Company
President
Moulton, Lane and Hardin, Inc.*

Elizabeth C. Ogie

*Director
W.C. Bradley Co.*

John T. Oliver, Jr.

*Vice Chairman of the Executive Committee
Synovus Financial Corp.
Chairman of the Board
First National Bank*

H. Lynn Page

*Vice Chairman of the Board (Retired)
Synovus Financial Corp.
Columbus Bank and Trust Company
Total System Services, Inc.*

William L. Pherigo

*President and Chief Executive Officer
The National Bank of South Carolina*

Robert V. Royall, Jr.

*Chairman of the Board
The National Bank of South Carolina
Secretary of Commerce
State of South Carolina*

Loyce W. Turner**

*Chairman of the Board
First State Bank and Trust Company
State Senator - Lowndes County*

William B. Turner

*Chairman of the Executive Committee
Synovus Financial Corp.
Chairman of the Board
Columbus Bank and Trust Company
Chairman of the Executive Committee
W. C. Bradley Co.*

George C. Woodruff, Jr.

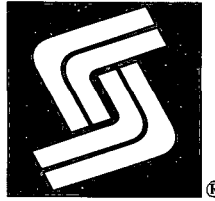
Real Estate and Personal Investments

James D. Yancey

*Vice Chairman of the Board
Synovus Financial Corp.
Columbus Bank and Trust Company*

***Advisory Director**

****Emeritus Director**



SYNOVUS[®]

FINANCIAL CORP.

FINANCIAL APPENDIX

Consolidated Statements of Condition as of December 31, 1995 and 1994	F-2
Consolidated Statements of Income for the Years ended December 31, 1995, 1994, and 1993	F-3
Consolidated Statements of Shareholders' Equity for the Years ended December 31, 1995, 1994, and 1993	F-4
Consolidated Statements of Cash Flows for the Years ended December 31, 1995, 1994, and 1993	F-5
Summary of Significant Accounting Policies	F-6
Notes to Consolidated Financial Statements	F-10
Independent Auditors' Report	F-26
Financial Highlights	F-27
Financial Review	F-28
Summary of Quarterly Financial Data, Unaudited	F-48

CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)

December 31,	1995	1994
ASSETS		
Cash and due from banks, including cash deposits of \$31,144 and \$33,693 for 1995 and 1994, respectively, on deposit to meet Federal Reserve requirements	\$ 382,696	344,637
Interest earning deposits with banks	1,093	1,172
Federal funds sold	123,832	43,907
Investment securities available for sale (note 2)	1,106,298	804,769
Investment securities held to maturity (approximate market value of \$386,579 and \$510,504 for 1995 and 1994, respectively) (notes 2 and 6)	380,918	532,933
Loans (notes 3 and 6)	5,526,842	5,089,567
Less:		
Unearned income	(14,812)	(14,691)
Reserve for loan losses (note 3)	(81,384)	(75,018)
Loans, net	5,430,646	4,999,858
Premises and equipment, net (note 6)	220,197	203,106
Other assets (notes 4 and 8)	281,915	245,697
Total assets	<u>\$7,927,595</u>	<u>7,176,079</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits (note 5):		
Non-interest bearing	\$1,141,716	983,056
Interest bearing	5,586,163	4,941,547
Total deposits	6,727,879	5,924,603
Federal funds purchased and securities sold under agreement to repurchase	229,477	412,082
Long-term debt (note 6)	106,815	139,811
Other liabilities (notes 7 and 8)	142,079	97,220
Total liabilities	7,206,250	6,573,716
Minority interest in consolidated subsidiary	27,790	22,483
Shareholders' equity (notes 1, 2, 6, 8, and 12):		
Common stock — \$1.00 par value. Authorized 600,000,000 shares; issued 77,280,695 in 1995 and 76,134,451 in 1994; outstanding 77,236,765 in 1995 and 75,633,387 in 1994	77,281	76,134
Surplus	127,021	118,782
Less treasury stock - 43,930 and 501,064 shares in 1995 and 1994, respectively	(1,022)	(7,680)
Less unamortized restricted stock	(2,663)	(1,538)
Net unrealized gain (loss) on investment securities available for sale	5,774	(20,744)
Retained earnings	487,164	414,926
Total shareholders' equity	693,555	579,880
Commitments (note 9)	—	—
Total liabilities and shareholders' equity	<u>\$7,927,595</u>	<u>7,176,079</u>

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

Years ended December 31,	1995	1994	1993
Interest income:			
Loans, including fees	\$525,080	415,242	361,744
Investment securities:			
U.S. Treasury and U.S. Government agencies	59,866	53,479	48,948
Mortgage-backed securities	15,975	17,456	17,671
State and municipal	7,397	7,772	9,307
Other investments	1,357	1,611	2,875
Federal funds sold	6,006	2,787	3,200
Interest earning deposits with banks	107	35	127
Total interest income	615,788	498,382	443,872
Interest expense:			
Deposits (note 5)	253,761	176,919	164,644
Federal funds purchased and securities sold under agreement to repurchase	12,092	10,021	5,045
Long-term debt	8,060	10,211	10,970
Total interest expense	273,913	197,151	180,659
Net interest income	341,875	301,231	263,213
Provision for losses on loans (note 3)	25,787	25,387	24,924
Net interest income after provision for losses on loans	316,088	275,844	238,289
Non-interest income:			
Data processing services	236,125	178,122	148,364
Service charges on deposit accounts	46,657	41,447	39,160
Fees for trust services	9,649	8,796	8,923
Credit card fees	7,288	7,703	7,493
Securities gains (losses), net (note 2)	368	(721)	1,108
Other operating income	40,747	38,985	31,214
Total non-interest income	340,834	274,332	236,262
Non-interest expense:			
Salaries and other personnel expense (note 8)	252,479	211,531	180,414
Net occupancy and equipment expense (notes 4 and 9)	99,629	83,419	72,679
Other operating expenses (note 10)	120,012	111,975	94,258
Minority interest in subsidiary's net income	5,333	4,325	3,896
Total non-interest expense	477,453	411,250	351,247
Income before income taxes and extraordinary item	179,469	138,926	123,304
Income tax expense (note 7)	64,886	49,474	42,925
Income before extraordinary item	114,583	89,452	80,379
Extraordinary item-loss related to early extinguishment of debt (net of income tax benefit of \$1,568) ..	—	—	2,912
Net income	\$ 114,583	89,452	77,467
Net income per share:			
Income before extraordinary item	\$ 1.50	1.19	1.09
Extraordinary item	—	—	(.04)
Net income	\$ 1.50	1.19	1.05
Weighted average shares outstanding	76,636	75,167	74,009

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except per share data)

Years ended December 31, 1995, 1994, and 1993	Shares Issued	Common Stock	Surplus	Treasury Stock	Unamortized Restricted Stock	Net Unrealized Gain/(Loss) on Securities Avail. for Sale	Retained Earnings	Total
Balance at December 31, 1992.....	66,842	\$66,842	75,696	(2,974)	(1,792)	—	278,235	416,007
Issuance of common stock for acquisition.....	6,593	6,593	23,484	—	(750)	—	23,964	53,291
Issuance of common stock by pooled subsidiary prior to acquisition.....	1,269	1,269	11,724	—	—	—	—	12,993
Net income.....	—	—	—	—	—	—	77,467	77,467
Cash dividends declared - \$.373 per share.....	—	—	—	—	—	—	(24,880)	(24,880)
Cash dividends of pooled subsidiary prior to acquisition.....	—	—	—	—	—	—	(2,311)	(2,311)
Issuance of restricted stock.....	3	3	23	—	(26)	—	—	—
Amortization of restricted stock issued under restricted stock bonus plan (note 8).....	—	—	—	—	746	—	—	746
Amortization of subsidiary restricted stock bonus plan.....	—	—	497	—	—	—	—	497
Stock options exercised.....	196	196	1,258	—	—	—	—	1,454
Repayment of obligation of employee stock ownership plan at subsidiary.....	—	—	—	—	150	—	—	150
Net unrealized gain on investment securities available for sale.....	—	—	—	—	—	11,643	—	11,643
Purchase of fractional shares upon acquisition.....	(2)	(2)	(58)	—	—	—	—	(60)
Balance at December 31, 1993.....	74,901	74,901	112,624	(2,974)	(1,672)	11,643	352,475	546,997
Issuance of common stock for acquisitions.....	1,097	1,097	3,656	—	—	—	5,802	10,555
Net income.....	—	—	—	—	—	—	89,452	89,452
Cash dividends declared - \$.450 per share.....	—	—	—	—	—	—	(30,298)	(30,298)
Cash dividends of pooled subsidiary prior to acquisition.....	—	—	—	—	—	—	(2,708)	(2,708)
Treasury shares purchased.....	—	—	—	(6,013)	—	—	—	(6,013)
Issuance of restricted stock.....	65	65	1,156	455	(1,676)	—	—	—
Amortization of restricted stock issued under restricted stock bonus plan (note 8).....	—	—	—	—	1,421	—	—	1,421
Amortization of subsidiary restricted stock bonus plan.....	—	—	499	—	—	—	—	499
Stock options exercised.....	71	71	347	852	—	—	—	1,270
Stock option tax benefit.....	—	—	692	—	—	—	—	692
Repayment of obligation of employee stock ownership plans at subsidiaries.....	—	—	—	—	389	—	(26)	363
Net unrealized gain (loss) on investment securities available for sale.....	—	—	—	—	—	(32,387)	229	(32,158)
Ownership change at majority-owned subsidiary.....	—	—	(192)	—	—	—	—	(192)
Balance at December 31, 1994.....	76,134	76,134	118,782	(7,680)	(1,538)	(20,744)	414,926	579,880
Issuance of common stock for acquisitions.....	529	529	4,492	6,078	—	183	547	11,829
Net income.....	—	—	—	—	—	—	114,583	114,583
Cash dividends declared - \$.540 per share.....	—	—	—	—	—	—	(42,042)	(42,042)
Treasury shares purchased.....	—	—	—	(1,303)	—	—	—	(1,303)
Issuance of restricted stock.....	90	90	1,964	—	(2,054)	—	—	—
Amortization of restricted stock issued under restricted stock bonus plan (note 8).....	—	—	493	—	779	—	—	1,272
Stock options exercised.....	226	226	459	1,883	—	—	—	2,568
Repayment of obligation of employee stock ownership plan at subsidiary.....	—	—	—	—	150	—	—	150
Net unrealized gain on investment securities available for sale.....	—	—	—	—	—	26,335	—	26,335
Ownership change at majority-owned subsidiary.....	—	—	(4)	—	—	—	—	(4)
Loss on foreign currency translation.....	—	—	—	—	—	—	(850)	(850)
Conversion of subordinated debentures into common stock (note 6).....	302	302	835	—	—	—	—	1,137
Balance at December 31, 1995.....	77,281	\$77,281	127,021	(1,022)	(2,663)	5,774	487,164	693,555

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Years ended December 31,	1995	1994	1993
Operating Activities			
Net income.....	\$114,583	89,452	77,467
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary item - loss related to early extinguishment of debt, net	—	—	2,912
Provision for losses on loans	25,787	25,387	24,924
Depreciation, amortization, and accretion, net.....	38,617	38,409	32,843
Deferred income tax benefit.....	(4,171)	(1,097)	(1,062)
(Increase) decrease in interest receivable.....	(9,973)	(6,701)	2,775
Increase (decrease) in interest payable.....	14,680	7,316	(1,868)
Minority interest in subsidiary's net income.....	5,333	4,325	3,896
(Increase) decrease in mortgage loans held for sale.....	(15,398)	13,944	(11,665)
Other, net	(17,009)	(3,122)	(191)
Net cash provided by operating activities	152,449	167,913	130,031
Investing Activities			
Cash acquired from acquisitions	4,431	9,056	30,362
Net business acquisitions by subsidiary.....	—	—	88,997
Net decrease in interest earning deposits with banks.....	1,956	553	100
Net (increase) decrease in federal funds sold.....	(70,770)	137,464	67,734
Proceeds from maturities of investment securities available for sale.....	173,109	192,186	24,182
Proceeds from sales of investment securities available for sale.....	136,502	182,972	43,613
Purchases of investment securities available for sale.....	(394,406)	(347,177)	(78,544)
Proceeds from maturities of investment securities held to maturity.....	82,837	87,943	343,760
Proceeds from sales of investment securities held to maturity.....	—	—	33,803
Purchases of investment securities held to maturity.....	(92,966)	(141,153)	(566,335)
Net increase in loans	(385,228)	(566,101)	(431,564)
Purchases of premises and equipment.....	(48,212)	(41,938)	(52,885)
Disposals of premises and equipment	1,888	1,007	9,645
Proceeds from sale of other real estate.....	12,032	9,078	13,622
Additions to internally developed computer software.....	(2,617)	(10,624)	(11,688)
Net cash used in investing activities	(581,444)	(486,734)	(485,198)
Financing Activities			
Net increase in demand and savings deposits.....	193,870	87,229	279,355
Net increase in certificates of deposit.....	528,690	135,539	43,001
Net (decrease) increase in federal funds purchased and securities sold under agreement to repurchase.....	(182,870)	142,125	122,457
Principal repayments on long-term debt.....	(33,682)	(36,204)	(86,446)
Extraordinary item - loss related to early extinguishment of debt, net	—	—	(2,912)
Proceeds from issuance of long-term debt	1,823	17,006	92,260
Purchase of treasury stock.....	(1,303)	(6,013)	—
Dividends paid to shareholders.....	(42,042)	(33,006)	(27,191)
Proceeds from issuance of common stock.....	2,568	1,270	14,447
Net cash provided by financing activities	467,054	307,946	434,971
Increase (decrease) in cash and cash equivalents.....	38,059	(10,875)	79,804
Cash and cash equivalents at beginning of period	344,637	355,512	275,708
Cash and cash equivalents at end of period.....	\$382,696	344,637	355,512

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Business Operations**

The consolidated financial statements include the accounts of Synovus Financial Corp. (Parent Company) and its subsidiaries, all but one of which were wholly-owned at December 31, 1995. Synovus has 34 wholly-owned bank affiliates predominantly involved in commercial banking activities and a wholly-owned broker/dealer company. Total System Services, Inc. (TSYS), an 80.8% owned subsidiary, is a bankcard data processing company.

The consolidated revenues are primarily contributed from the banking operations, with TSYS' revenues contributing approximately one quarter of consolidated revenues. The banking operations revenues are earned in four southeastern states: Georgia (61%), Alabama (20%), South Carolina (11%), and Florida (8%). TSYS has two major customers which account for approximately 34% of their revenues. The remainder of TSYS' revenues are generated from customer institutions located in North America.

Basis of Presentation

In preparing the financial statements in accordance with generally accepted accounting principles, 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 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 reserve for loan losses; the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans; and the disclosures for contingent assets and liabilities. In connection with the determination of the reserve 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 Financial Corp. and subsidiaries (Synovus) conform to generally accepted accounting principles and to general practices within the banking and technology 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, 1995, 1994, and 1993, income taxes of \$68 million, \$48 million, and \$42 million, and interest of \$259 million, \$190 million, and \$183 million, respectively, were paid.

Loans receivable of approximately \$9 million, \$8 million, and \$16 million were transferred to real estate acquired in settlement of loans during 1995, 1994, and 1993, respectively.

Investment securities held to maturity with an amortized cost of approximately \$161 million, \$5 million, and \$791 million were transferred during 1995, 1994, and 1993, respectively, to investment securities available for sale.

Federal Funds Sold, Federal Funds Purchased, and Securities Sold Under Agreement to Repurchase

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

Investment Securities

Synovus classifies its securities into three categories: trading, available for sale, or held to maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held to maturity securities are those securities for which Synovus has the ability and intent to hold until maturity. All other securities not included in trading or held to maturity are classified as available for sale.

Trading and available for sale securities are recorded at fair value. Held to maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses, net of the related tax effect, on securities available for sale are excluded from earnings and are reported as a separate component of shareholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized gains and losses are recognized in earnings for transfers into trading securities. Unrealized gains or losses associated with transfers of securities from held to maturity to available for sale are recorded as a separate component of shareholders' equity. The unrealized gains or losses included in the separate component of shareholders' equity for a security transferred from available for sale to held to maturity are maintained and amortized into earnings over the remaining life of the security as an adjustment to yield in a manner consistent with the amortization or accretion of premium or discount on the associated security.

A decline in the market value of any available for sale or held to maturity security below cost that is deemed other than temporary results in a charge to earnings resulting in 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 earned. Realized gains and losses for securities classified as available for sale and held to maturity 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 was immaterial.

Loans and Interest Income

Loans are reported at principal amounts outstanding, less unearned income and the reserve for loan losses.

First mortgage loans held for sale are reported at the lower of aggregate cost or market. No valuation allowances were required at December 31, 1995 or 1994.

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.

Loan fees, net of certain direct origination costs, are deferred and amortized over the terms of the loans using a method which approximates a level yield. Annual fees, net of costs, collected for credit cards are recognized on a straight-line basis over the period the fee entitles the cardholder to use the card.

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, timely 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 for the fiscal year in which the loan is placed on nonaccrual status 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 only 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. Such interest, when ultimately collected, is recorded as interest income in the period received. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual classification.

Reserve for Loan Losses

Synovus adopted the provisions of Statement of Financial Accounting Standard (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan" as amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures", on January 1, 1995. Management, considering current information and events regarding the borrowers' ability to repay their 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 is used to determine the amount of impairment. Impairment losses are included in the reserve for loan losses through a charge to the provision for losses on loans. Subsequent recoveries are added to the reserve for loan losses. Prior periods have not been restated.

SFAS No. 114 applies to all loans, except for large pools of smaller balance homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, and debt securities. The reserve for loan losses 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, adequacy of the underlying collateral, loan concentrations, historical charge-off trends, and economic conditions that may affect the borrowers' ability to pay. Loans are charged against the reserve for loan losses when management believes that the collection of principal is unlikely.

Management believes that the reserve for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the reserve 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 Synovus' affiliate banks' reserve for loan losses. Such agencies may require Synovus' affiliate banks to recognize additions to the reserve for loan losses based on their judgments about information available to them at the time of their examination.

Premises and Equipment

Premises and equipment, including leasehold improvements, are reported at cost, less accumulated depreciation and amortization, which are computed using straight-line or accelerated methods over the estimated useful life of the related asset.

Other Assets

Included in other assets are other real estate, originated and purchased mortgage servicing rights, intangibles, and computer software as described in the paragraphs below.

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. Any excess of the loan balance at the time of foreclosure over the fair value of the real estate held as collateral is treated as a loan charge-off. Gain or loss on sale and any subsequent adjustment to the value are recorded as a component of non-interest expense.

Originated and Purchased Mortgage Servicing Rights:

Effective July 1, 1995, Synovus adopted SFAS No. 122, "Accounting for Mortgage Servicing Rights", as an amendment to SFAS No. 65, "Accounting for Certain Mortgage Banking Activities". SFAS No. 122 requires that a mortgage banking enterprise recognize as separate assets, rights to service mortgage loans for others regardless of whether the servicing rights are acquired through either the purchase or origination of mortgage loans. SFAS No. 122 also requires that capitalized mortgage servicing rights be evaluated for impairment based upon the fair value of those rights, including those rights purchased

before adoption of SFAS No. 122. Fair value is estimated by determining the present value of the estimated future cash flows using discount rates commensurate with the risks involved. In determining the present value, Synovus stratifies its mortgage servicing rights based on risk characteristics including loan types, note rates, and note terms.

Capitalized mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income, using a method that approximates level yield and taking into consideration prepayment of the underlying loans. Management re-evaluates the terms used for amortization based upon prepayment history and adjusts the terms as necessary.

Intangibles:

Goodwill, which represents the excess of cost over the fair value of net assets acquired of purchased companies, is being amortized using the straight-line method over periods of 15 to 40 years.

Core deposit premiums resulting from the valuation of core deposit intangibles acquired in business combinations or in the purchase of branch offices are amortized using accelerated methods over periods not exceeding the estimated average remaining life of the existing customer deposit bases acquired. Amortization periods range from 10 to 18 years.

Intangible amortization periods are monitored to determine if events and circumstances require such periods to be reduced. Goodwill and core deposit premiums are reviewed for impairment on the basis of whether these assets are fully recoverable from expected undiscounted cash flows of the related business units.

Computer Software:

Software development costs are capitalized from the time technological feasibility of the software product or enhancement is established until the software is ready for use in providing processing services to customers. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Software development costs related to providing processing services to customers are amortized using the greater of the straight-line method over the estimated useful life or the ratio of current revenues to current and anticipated revenues.

The carrying value of computer software costs is reviewed for impairment, and impairment is recognized when the expected undiscounted future cash flows derived from such intangible assets are less than their carrying value.

Data Processing Services

TSYS' bankcard data processing revenues are derived from long-term processing agreements with banks and nonbank institutions and are recognized as revenues at the time the services are performed. TSYS' processing agreements generally contain terms ranging from three to ten years.

Income Taxes

Synovus accounts for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes". Under the asset and liability method of SFAS No. 109, 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. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Postretirement Benefits

Synovus sponsors a defined benefit health care plan for substantially all employees and early retirees. Effective January 1, 1993, Synovus adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions", which established a new accounting principle for the cost of retiree health care and other postretirement benefits. Effective in 1993, the expected costs of such postretirement benefits are being expensed over the period that employees provide service. Prior to 1993, Synovus recognized these benefits on the pay-as-you-go method (i.e., cash basis).

Net Income per Share

Net income per common share is based on the weighted average number of shares outstanding. The effect of dilutive stock options on net income per share is insignificant. All share and per share data has been restated to reflect the March 1993 three-for-two stock split, which was effective on April 1, 1993, in the form of a 50% stock dividend.

Disclosure About the Fair Value of Financial Instruments

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments", requires all entities to disclose the fair value of financial instruments, both assets and liabilities (on- and off-balance sheet), for which it is practicable to estimate fair value.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale, at one time, Synovus' entire holdings of a particular financial instrument. Because no market exists for a portion of Synovus' financial instruments, fair value estimates are 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 on- and off-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 tax accounts, premises and equipment, and goodwill. In addition, the 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.

The following summarizes the fair value of financial instruments at December 31, 1995 and 1994.

(In thousands)	Note	December 31, 1995		December 31, 1994	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Federal funds sold	—	\$ 123,832	123,832	43,907	43,907
Investment securities available for sale	2	1,106,298	1,106,298	804,769	804,769
Investment securities held to maturity	2	380,918	386,579	532,933	510,504
Loans, net unearned income	3	5,512,030	5,475,170	5,074,876	4,993,463
Deposits	5	6,727,879	6,732,584	5,924,603	5,915,483
Federal funds purchased and securities sold under agreement to repurchase	6	229,477	229,477	412,082	412,082
Long-term debt	6	106,815	105,874	139,811	129,658
Commitments	9	1,860,427	1,860,427	1,656,510	1,656,510
Interest rate swaps	9	—	1,776	—	—

Other

Certain amounts in 1994 and 1993 have been reclassified to conform with presentation adopted in 1995.

Recent Accounting Pronouncements

On October 23, 1995, SFAS No. 123, "Accounting for Stock-Based Compensation" was issued. SFAS No. 123 allows companies to retain the current approach set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", for recognizing stock-based compensation expense in the basic financial statements; however, companies are encouraged to adopt a new accounting method based on the estimated fair value of employee stock options. Companies that do not follow the new fair value based method will be required to provide expanded disclosures in the footnotes. SFAS No. 123 is effective for fiscal years ended December 31, 1996, and Synovus intends to provide such information in expanded disclosures in the footnotes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I Business Combinations

On April 28, 1995, Synovus completed the acquisition of Citizens & Merchants Corporation (CMC), the parent company of the \$52 million asset, Citizens & Merchants State Bank, Douglasville, Georgia. Synovus issued 626,469 shares of common stock for all the issued and outstanding shares of CMC. This transaction has been accounted for as a pooling of interests, except that the financial statements for periods prior to the acquisition were not restated since the effect was not material.

On February 28, 1995, Synovus completed the acquisition of NBSC Corporation (NBSC), the parent company of the \$1.1 billion asset, The National Bank of South Carolina, Columbia, South Carolina. Synovus issued 7,929,348 shares of common stock for all the issued and outstanding shares of NBSC. This acquisition has been accounted for as a pooling of interests and, accordingly, the financial statements for all periods presented have been restated to include the financial condition and results of operations of this entity. Synovus' financial statements for the years ended December 31, 1994 and 1993 have been restated for the NBSC acquisition as follows:

(In thousands, except per share data)	1994		1993	
	Before Acquisition	Restated	Before Acquisition	Restated
Net interest income.....	<u>\$259,502</u>	<u>301,231</u>	<u>229,063</u>	<u>263,213</u>
Income before extraordinary item.....	<u>\$ 86,448</u>	<u>89,452</u>	<u>74,058</u>	<u>80,379</u>
Extraordinary item - loss related to early extinguishment of debt (net of income tax benefit of \$1,568).....	<u>—</u>	<u>—</u>	<u>2,912</u>	<u>2,912</u>
Net income.....	<u>\$ 86,448</u>	<u>89,452</u>	<u>71,146</u>	<u>77,467</u>
Net income per share:				
Income before extraordinary item.....	<u>\$ 1.29</u>	<u>1.19</u>	<u>1.11</u>	<u>1.09</u>
Extraordinary item.....	<u>—</u>	<u>—</u>	<u>(.04)</u>	<u>(.04)</u>
Net income.....	<u>\$ 1.29</u>	<u>1.19</u>	<u>1.07</u>	<u>1.05</u>

On January 31, 1995, Synovus completed the acquisition of the \$43 million asset Peach State Bank (PSB), Riverdale, Georgia. Synovus issued 266,498 treasury shares for all of the issued and outstanding shares of PSB. This acquisition was accounted for as a purchase.

Effective October 31, 1994, Synovus completed the acquisition of State Banchares, Inc. (SBI), the parent company of the \$62 million asset, Coffee County Bank, Enterprise, Alabama. Synovus issued 548,879 shares of common stock for all of the issued and outstanding shares of SBI. This acquisition has been accounted for as a pooling of interests, except that financial statements for periods prior to the acquisition were not restated since the effect was not material.

Effective May 31, 1994, Synovus completed the acquisition of PNB Bankshares, Inc. (PNB), the parent company of the \$78 million asset, Peachtree National Bank, Peachtree City, Georgia. Synovus issued 548,213 shares of common stock for all of the issued and outstanding shares of PNB. This acquisition has been accounted for as a pooling of interests, except that the financial statements for periods prior to the acquisition were not restated since the effect was not material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Investment Securities

The carrying and approximate market values of investment securities are summarized as follows:

		December 31, 1995		
Investment Securities Available for Sale:		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
(In thousands)				Estimated Fair Value
U. S. Treasury and U. S. Government agencies.....	\$ 996,129	10,466	(2,309)	1,004,286
Mortgage-backed securities.....	87,741	758	(303)	88,196
State and municipal.....	1,251	72	(1)	1,322
Other investments.....	12,254	678	(438)	12,494
Total.....	<u>\$1,097,375</u>	<u>11,974</u>	<u>(3,051)</u>	<u>1,106,298</u>

		December 31, 1994		
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
(In thousands)				Estimated Fair Value
U. S. Treasury and U. S. Government agencies.....	\$ 798,990	286	(31,732)	767,544
Mortgage-backed securities.....	24,819	160	(566)	24,413
State and municipal.....	1,523	—	(32)	1,491
Other investments.....	11,355	741	(775)	11,321
Total.....	<u>\$ 836,687</u>	<u>1,187</u>	<u>(33,105)</u>	<u>804,769</u>

		December 31, 1995		
Investment Securities Held to Maturity:		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
(In thousands)				Estimated Fair Value
U. S. Treasury and U. S. Government agencies.....	\$ 81,772	1,415	(607)	82,580
Mortgage-backed securities.....	171,275	1,629	(1,477)	171,427
State and municipal.....	121,761	4,779	(115)	126,425
Other investments.....	6,110	37	—	6,147
Total.....	<u>\$ 380,918</u>	<u>7,860</u>	<u>(2,199)</u>	<u>386,579</u>

		December 31, 1994		
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
(In thousands)				Estimated Fair Value
U. S. Treasury and U. S. Government agencies.....	\$ 159,354	24	(9,326)	150,052
Mortgage-backed securities.....	243,220	152	(13,725)	229,647
State and municipal.....	121,834	1,893	(1,531)	122,196
Other investments.....	8,525	84	—	8,609
Total.....	<u>\$ 532,933</u>	<u>2,153</u>	<u>(24,582)</u>	<u>510,504</u>

Prior to January 1, 1994, unrealized losses on mutual funds were included in retained earnings. However, these amounts, \$229,000, have been reclassified and included in the net unrealized gain (loss) component of shareholders' equity effective December 31, 1994.

On December 21, 1995, Synovus exercised an option permitted by the "Special Report - a Guide to Implementation of FASB No. 115, Accounting for Certain Investments in Debt and Equity Securities - Questions and Answers" to make a one time transfer of securities held to maturity to securities available for sale. This transfer was made to add further liquidity and flexibility to the portfolio that will enable Synovus to more effectively manage its interest rate risk position. The amortized cost and estimated fair value of the securities transferred was \$133.7 million and \$133.9 million, respectively.

On February 28, 1995, immediately following the acquisition, Synovus transferred certain held to maturity securities of NBSC to the available for sale portfolio to adhere to Synovus' existing asset-liability management policy and interest rate risk strategy. Such transfers consisted of investment securities with an estimated fair value of \$27.1 million and an amortized cost of \$27.4 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The amortized cost and estimated fair value of investment securities at December 31, 1995 and 1994, are shown below by contractual maturity. Expected maturities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Investment Securities Held to Maturity December 31, 1995		Investment Securities Available for Sale December 31, 1995	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U. S. Treasury and U. S. Government Agencies:				
Within 1 year.....	\$ 14,924	14,994	241,142	241,688
1 to 5 years.....	44,615	44,708	553,647	557,958
5 to 10 years.....	22,233	22,878	200,840	204,131
More than 10 years.....	—	—	500	509
	<u>\$ 81,772</u>	<u>82,580</u>	<u>996,129</u>	<u>1,004,286</u>
Mortgage-backed securities:				
Within 1 year.....	\$ 1,692	1,710	1,237	1,239
1 to 5 years.....	73,793	72,846	34,702	34,612
5 to 10 years.....	22,174	22,465	11,577	11,644
More than 10 years.....	73,616	74,406	40,225	40,701
	<u>\$171,275</u>	<u>171,427</u>	<u>87,741</u>	<u>88,196</u>
State and municipal:				
Within 1 year.....	\$ 17,986	18,265	299	298
1 to 5 years.....	52,596	54,225	594	668
5 to 10 years.....	35,218	36,717	100	98
More than 10 years.....	15,961	17,218	258	258
	<u>\$121,761</u>	<u>126,425</u>	<u>1,251</u>	<u>1,322</u>
Other investments:				
Within 1 year.....	\$ 98	99	3,329	3,382
1 to 5 years.....	1,832	1,869	3,005	3,325
5 to 10 years.....	265	265	2,082	2,251
More than 10 years.....	3,915	3,914	3,838	3,536
	<u>\$ 6,110</u>	<u>6,147</u>	<u>12,254</u>	<u>12,494</u>
Total investment securities:				
Within 1 year.....	\$ 34,700	35,068	246,007	246,607
1 to 5 years.....	172,836	173,648	591,948	596,563
5 to 10 years.....	79,890	82,325	214,599	218,124
More than 10 years.....	93,492	95,538	44,821	45,004
	<u>\$380,918</u>	<u>386,579</u>	<u>1,097,375</u>	<u>1,106,298</u>

A summary of investment security sales transactions for 1995, 1994, and 1993 is as follows:

(In thousands)	Investment Securities Held to Maturity			Investment Securities Available for Sale		
	Proceeds	Gross Realized Gains	Gross Realized Losses	Proceeds	Gross Realized Gains	Gross Realized Losses
1995	\$ —	—	—	136,502	1,164	(796)
1994	—	—	—	182,972	957	(1,678)
1993	33,803	333	(69)	43,613	844	—

Securities with a carrying value of \$879,232,000 and \$879,038,000 at December 31, 1995 and 1994, respectively, were pledged to secure certain deposits as required by law.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 Loans

Loans outstanding, by classification, are summarized as follows:

	December 31,	
	1995	1994
Commercial:		
Commercial, financial, and agricultural	\$1,931,004	1,783,928
Real estate-construction	578,712	472,131
Real estate-mortgage	1,160,089	1,030,524
Total commercial	3,669,805	3,286,583
Retail:		
Real estate-mortgage	824,998	865,642
Installment loans-credit card	222,204	171,475
Installment loans-other	784,972	756,402
Mortgage loans held for sale	24,863	9,465
Total retail	1,857,037	1,802,984
Total loans	\$5,526,842	5,089,567

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

(In thousands)	1995	1994	1993
Balance at beginning of year	\$75,018	67,270	61,336
Loan loss reserves of acquired subsidiaries	1,001	1,535	—
Provision for losses on loans	25,787	25,387	24,924
Recoveries of loans previously charged off	4,510	5,874	4,767
Loans charged off	(24,932)	(25,048)	(23,757)
Balance at end of year	\$81,384	75,018	67,270

As discussed in the Summary of Significant Accounting Policies, Synovus adopted SFAS No. 114 and SFAS No. 118 effective January 1, 1995. No adjustment to the loan loss reserve was needed upon adoption of SFAS No. 114 and SFAS No. 118. The table below illustrates the impaired loans and related amounts included in the reserve for loan losses at December 31, 1995.

(In thousands)	Loan Balance	Allocated Loan Loss Reserve
Impaired loans, nonaccruing, with loan loss reserve	\$ 13,083	5,619
Impaired loans, nonaccruing, with no loan loss reserve	7,151	—
Impaired loans, accruing, with loan loss reserve	35,833	13,255
Impaired loans, accruing, with no loan loss reserve	23,735	—
Impaired loans, accruing, partially charged off	329	62
Total	\$ 80,131	18,936

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These loan loss reserve amounts were primarily determined using the fair value of the loans' collateral. The average recorded investment in impaired loans was approximately \$87,000,000 for the year ended December 31, 1995 and the related amount of interest income recognized during the period that such loans were impaired was approximately \$5,695,000.

Loans on nonaccrual status amounted to approximately \$21,469,000, \$26,497,000, and 30,296,000 at December 31, 1995, 1994, and 1993, respectively. If nonaccruing loans had been on a full accruing basis, interest income on these loans would have been increased by approximately \$2,606,000, \$2,931,000, and \$2,632,000 in 1995, 1994, and 1993, respectively.

A substantial portion of Synovus' loans are secured by real estate in markets in which affiliate banks are located throughout Georgia, Alabama, South Carolina, and Northwest Florida. Accordingly, the ultimate collectibility of a substantial portion of Synovus' 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.

At December 31, 1995, an affiliate company serviced mortgage loans for unaffiliated investors in the amount of \$664,931,000. This company carries error and omissions insurance in the amount of \$1,000,000. Synovus records servicing fee income on these loans based upon the outstanding balance of the loans serviced.

The following table presents information for mortgage loans held for sale as of December 31, 1995 and 1994:

(In thousands)	December 31,	
	1995	1994
Beginning balance	\$ 9,465	23,409
Loans originated during the year	213,645	210,056
Loans sold during the year	(198,247)	(224,000)
Ending balance.....	\$ 24,863	9,465

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. Commercial and other consumer loans with adjustable interest rates are assumed to be at fair value. Mortgage loans are further segmented into fixed and adjustable rate interest terms. Home equity and credit card loans have adjustable interest rates and are, therefore, assumed to be at fair value. The fair value of loans, except mortgage 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. For mortgage loans, fair value is estimated by discounting contractual cash flows adjusted for certain prepayment assumptions, estimated using discount rates based on secondary market sources adjusted to reflect differences in servicing and credit costs.

The following table presents information for the fair value of loans as of December 31, 1995 and 1994:

(In thousands)	1995		1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Adjustable rate loans, net of unearned income.....	\$3,197,420	3,239,448	2,730,818	2,727,760
Fixed rate loans, net of unearned income	2,314,610	2,235,722	2,344,058	2,265,703

In the ordinary course of business, Synovus has direct and indirect loans outstanding to certain executive officers, directors, and principal holders of equity securities (including their associates). 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 other customers. The following is a summary of such loans outstanding and the activities in these loans for the year ended December 31, 1995 (in thousands).

Balance at December 31, 1994	\$135,645
Adjustment for executive officer and director changes	(9,399)
Adjusted balance at December 31, 1994.....	126,246
New loans	66,482
Repayments	(65,310)
Balance at December 31, 1995	\$127,418

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 Other Assets

Included in other assets are two significant balances; purchased and originated mortgage servicing rights, and computer software costs.

Synovus adopted SFAS No. 122 as of July 1, 1995 and has capitalized all mortgage servicing rights since the adoption date. As of December 31, 1995, Synovus had approximately \$8,569,000 in capitalized mortgage servicing rights, the fair value of which was approximately \$9,844,000 and, at year end 1995, there was no valuation allowance.

The following table summarizes TSYS' computer software at December 31, 1995 and 1994:

(In thousands)	1995	1994
TS ²	\$33,049	33,049
Other internally developed software, including enhancements to TS ²	5,346	3,804
Purchased computer software.....	17,138	11,781
	<u>55,533</u>	<u>48,634</u>
Less accumulated amortization	16,317	9,394
Computer software, net	<u>\$39,216</u>	<u>39,240</u>

Capitalized software development costs, related to the bankcard data processing, for the years ended December 31, 1995, 1994, and 1993 were \$2,617,000, \$10,624,000, and \$11,688,000, respectively. Amortization expense related to computer software costs was \$7,358,000, \$3,669,000 and \$2,175,000 for the years ended December 31, 1995, 1994, and 1993, respectively.

Note 5 Deposits

In accordance with SFAS No. 107, 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 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. The following table presents fair value information on deposits as of December 31, 1995 and 1994:

(In thousands)	1995		1994	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Non-interest bearing demand deposits.....	\$1,141,716	1,141,716	983,056	983,056
Interest bearing demand deposits	932,351	932,351	911,869	911,869
Money market accounts.....	925,861	925,861	843,619	843,619
Savings accounts.....	465,491	465,491	485,989	485,989
Time deposits.....	3,262,460	3,267,165	2,700,070	2,690,950
	<u>\$6,727,879</u>	<u>6,732,584</u>	<u>5,924,603</u>	<u>5,915,483</u>

Time deposits over \$100,000 at December 31, 1995, 1994, and 1993, were \$1,023,900,000, \$804,936,000, and \$688,332,000, respectively. Interest expense for the years ended December 31, 1995, 1994, and 1993 on these large denomination deposits was \$57,259,000, \$31,865,000, and \$27,605,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 Long-Term Debt

Long-term debt consists of the following:

(In thousands)	December 31,	
	1995	1994
Parent Company:		
6.125% senior notes, due October 15, 2003, with semi-annual interest payments and principal to be paid at maturity	\$ 75,000	75,000
9.50% promissory notes, due October 31, 1995, with interest due monthly	—	13,000
Unsecured revolving credit agreement, due May 1, 1995, with interest due quarterly at .50% below the prime rate.....	—	12,500
8.75% Debenture, due May 15, 2004, with annual principal payments of \$120,000 and \$1,600,000 at maturity	2,440	2,560
Total Parent Company Debt	77,440	103,060
Subsidiaries:		
Federal Home Loan Bank advances with monthly interest payments and principal payments due at various maturity dates through 2004 and interest rates ranging from 5.03% to 5.90% at December 31, 1995	26,300	34,140
12.00% mandatory convertible subordinated debentures, due August 19, 1995, with interest payments due semi-annually. (See details below regarding conversion).....	—	1,137
9.23% note payable, due October 31, 2003, with annual principal and interest payments.....	348	376
8.00% capital lease obligation payable, due in monthly principal and interest payments through 2002.....	274	301
Other notes payable and capital lease obligations payable, with a weighted average interest rate of 5.44%, maturing at various dates through 2000	2,453	797
Total Subsidiaries Debt	29,375	36,751
Total Long-Term Debt	\$106,815	139,811

The more significant debt agreements held by the Parent Company provide for certain limitations 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, 1995, the most restrictive of these allow for the payment of cash dividends up to a maximum of \$114,583,000.

The Federal Home Loan Bank advances are secured by certain mortgage loans receivable as well as all of the stock of the Federal Home Loan Bank owned by Synovus.

Mandatory convertible subordinated debentures of \$1,137,280 matured on August 19, 1995. In accordance with the terms of these debentures, Synovus issued 301,886 shares of common stock to extinguish the debentures.

The capital lease obligations payable and certain notes payable are secured by land, buildings, and equipment with a net carrying value at December 31, 1995, of approximately \$829,000.

Synovus has an unsecured line of credit, with an unaffiliated bank, for \$20 million with an interest rate of 50 basis points above the "short-term index", as defined. There were no advances on this line of credit outstanding at any time in the years ended December 31, 1995 or 1994.

Required annual principal payments on long-term debt for the five years subsequent to December 31, 1995, are as follows:

(In thousands)	Parent Company	Subsidiaries	Total
1996.....	\$120	12,503	12,623
1997.....	120	8,104	8,224
1998.....	120	7,079	7,199
1999.....	120	382	502
2000.....	120	307	427

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-term and long-term debt with adjustable interest rates are assumed to be at fair value. Short-term debt that matures within ten days is also assumed to be at fair value. The fair value of short-term and long-term debt with fixed interest rates is calculated by discounting contractual cash flows using estimated market discount rates. The following table presents fair value information on short-term and long-term debt as of December 31, 1995 and 1994:

(In thousands)	1995		1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt with adjustable interest rates.....	\$ —	—	12,500	12,500
Long-term debt with fixed interest rates.....	106,815	105,874	127,311	117,158

Note 7 Income Taxes

Income tax expense (benefit) attributable to income before extraordinary item consists of:

(In thousands)	1995	1994	1993
Currently payable:			
Federal.....	\$65,009	46,304	39,634
State.....	4,048	4,267	4,353
	<u>69,057</u>	<u>50,571</u>	<u>43,987</u>
Deferred:			
Federal.....	(3,792)	(997)	(989)
State.....	(379)	(100)	(73)
	<u>(4,171)</u>	<u>(1,097)</u>	<u>(1,062)</u>
Total income taxes.....	<u>\$64,886</u>	<u>49,474</u>	<u>42,925</u>

Income tax expense attributable to income before extraordinary item differed from the amounts computed by applying the U.S. Federal income tax rate of 35% to pretax income before extraordinary item as a result of the following:

(In thousands)	1995	1994	1993
Taxes at statutory federal income tax rate.....	\$62,814	48,624	43,156
Tax-exempt income.....	(2,956)	(3,654)	(4,287)
State income taxes, net of federal income tax benefit.....	2,385	2,709	2,782
Minority interest.....	1,867	1,514	1,364
Other, net.....	776	281	(90)
Total income tax expense.....	<u>\$64,886</u>	<u>49,474</u>	<u>42,925</u>
Effective tax rate.....	<u>36.15%</u>	<u>35.61</u>	<u>34.81</u>

The significant components of deferred income tax expense for the years ended December 31, 1995 and 1994 are as follows:

(In thousands)	1995	1994	1993
(Decrease) increase in net tax benefit (exclusive of the components listed below).....	\$ (9,065)	17,339	208
Adjustments to deferred income tax assets and liabilities for enacted tax rate change.....	—	240	786
Change in valuation allowance.....	(418)	406	95
Change in deferred income tax assets and liabilities related to net unrealized gain (loss) on securities available for sale.....	13,788	(16,555)	(27)
Deferred tax assets of acquired companies.....	(134)	(333)	—
	<u>\$ 4,171</u>	<u>1,097</u>	<u>1,062</u>

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, 1995 and 1994 are presented below:

(In thousands)	1995	1994
Deferred income tax assets:		
Provision for losses on loans.....	\$32,244	28,406
Net unrealized loss on investment securities available for sale	—	10,638
Other	11,610	8,857
Total gross deferred income tax assets	43,854	47,901
Less valuation allowance	(383)	(801)
Net deferred income tax assets	43,471	47,100
Deferred income tax liabilities:		
Differences in depreciation.....	(6,220)	(5,134)
Restricted stock awards.....	(1,206)	(1,163)
Computer software development costs.....	(14,958)	(13,050)
Net unrealized gain on investment securities available for sale.....	(3,150)	—
Pension	(241)	(2,111)
Purchase accounting adjustments	(1,338)	(1,593)
Other, net.....	(7,791)	(6,417)
Total gross deferred income tax liabilities.....	(34,904)	(29,468)
Net deferred income tax assets	\$ 8,567	17,632

The valuation allowance for deferred tax assets as of December 31, 1995 and 1994 was \$383,000, and \$801,000, respectively. The net change in the total valuation allowance for the years ended December 31, 1995 and 1994 was a decrease of \$418,000 and an increase of \$406,000, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. 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 tax assets are deductible, management believes it is more likely than not that Synovus will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 1995.

Note 8 Employee Benefit Plans

In 1994 and 1993, Synovus had noncontributory, trustee pension plans (collectively referred to as "Plan") covering substantially all employees over 20½ years of age. Total pension expense recorded in the accompanying financial statements was approximately \$1,516,000 and \$1,182,000, in 1994 and 1993, respectively.

In 1995, Synovus terminated the Plan and began to settle the benefit obligations. During the year ended December 31, 1995, approximately \$15,849,000 of the accumulated benefit obligation was settled with a loss on settlement of \$3,195,000. The remaining obligations will be settled in 1996 with an expected loss on settlement of approximately \$600,000.

In 1995, Synovus adopted a 7% defined-contribution, money purchase plan to replace the terminated pension plan above. In addition, Synovus generally provides noncontributory, trustee, profit sharing and 401(k) plans which cover all eligible employees. Annual discretionary contributions to these profit sharing and 401(k) plans are set each year by the respective Boards of Directors of each affiliate, 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 were \$23,238,000, \$12,853,000, and \$12,107,000, in 1995, 1994, and 1993, 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 contributed \$2,623,000, \$1,949,000, and \$1,552,000 to these plans in 1995, 1994, and 1993, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 estimated present value of the deferred compensation is being accrued over the remaining expected term of active employment. Aggregate compensation expense under the foregoing employment agreements, together with the cost of salary continuation plans for certain other officers, was approximately \$260,000, \$460,000, and \$377,000 in 1995, 1994, and 1993, respectively.

Synovus provides certain medical benefits to qualified retirees through a postretirement medical benefits plan. The benefit expense and accrued benefit cost are not material to Synovus' consolidated financial statements.

Under key executive restricted stock bonus plans, Synovus has awarded an aggregate of 232,732 non-transferable, restricted shares of Synovus common stock to various key executives. The market value of the common stock at the date of issuance is included as a reduction of shareholders' equity in the consolidated statements of condition and is amortized as compensation expense using the straight-line method over the vesting period of the awards. Aggregate compensation expense with respect to the foregoing restricted stock awards was approximately \$779,000, \$1,421,000, and \$746,000 in 1995, 1994, and 1993, respectively.

Year plan adopted	Market value at award date	Vesting period
1990	\$ 185,000	5 years
1992	1,576,000	4 years
1994	870,000	5 years
1995	2,054,000	5 years

TSYS has awarded 653,400 non-transferable, restricted shares of its common stock to various key executives under restricted stock bonus plans. The aggregate market value of the shares is being amortized on a straight-line basis over the vesting period of the awards. The amounts and terms of common stock issued under restricted stock bonus awards are summarized as follows:

Year plan adopted	Market value at award date	Vesting period
1985	\$ 228,125	10 years
1990	165,886	70 months
1992	1,801,250	6 years
1992	1,332,800	5 years

Under the various stock option plans, Synovus has granted options for 2,256,264 shares of common stock to officers of Synovus and its affiliates. Synovus has expensed \$1,016,000, \$1,129,000, and \$1,074,000 in 1995, 1994, and 1993, respectively, related to the compensation element of these plans. At December 31, 1995, unamortized deferred compensation expense of \$2,239,000 related to these options remained and will be amortized over the vesting period through 1997. The options outstanding at December 31, 1995, had an average price of \$15.17.

Additional information relating to these stock options is as follows:

	1995	1994	1993
Options outstanding at beginning of period	1,876,888	1,584,344	1,462,687
Options granted	825,124	542,177	334,279
Options exercised	(436,410)	(177,409)	(212,622)
Options cancelled	(9,338)	(72,224)	—
Options outstanding at end of period	2,256,264	1,876,888	1,584,344
Options exercisable at end of period	741,356	589,142	491,291
Options' prices per share:			
Options granted during the period	\$9.74 to 22.75	7.14 to 19.12	9.72 to 10.67
Options exercised during the period	\$4.55 to 11.70	4.12 to 10.83	3.93 to 15.23
Options outstanding at end of period	\$4.55 to 22.75	4.55 to 19.12	3.93 to 15.23

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 Commitments

Off-Balance Sheet Financial Instruments

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, reduce its own exposure to fluctuations in interest rates, and to conduct lending activities. These financial instruments include commitments to extend credit, standby and commercial letters of credit, and interest rate swaps. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements.

Synovus' 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 those instruments. Synovus uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. For interest rate swap agreements held at year end, Synovus had insignificant credit risk.

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, 1995 and 1994 include the following:

(In thousands)	1995	1994
Standby letters of credit	\$ 255,230	192,162
Undisbursed construction loans	316,139	269,549
Unused credit card lines	552,831	557,270
Other loan commitments	700,227	624,029
Commitments to sell mortgage loans	36,000	13,500
Total	<u>\$1,860,427</u>	<u>1,656,510</u>

Interest rate swap transactions generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. Entering into interest rate swap agreements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts, but also the interest rate risk associated with hedged positions. Notional principal amounts often are used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller.

In October of 1995, Synovus and its subsidiary bank, Columbus Bank and Trust Company, entered the interest rate swap market for interest rate risk management purposes. The consolidated notional amount of interest rate swap contracts is \$125,000,000 with no carrying amount and an estimated fair value of \$1,776,000 at December 31, 1995.

These interest rate swaps have been entered into to convert floating rate assets to fixed rate assets. The weighted average fixed rate is 5.98% and the variable rate, based on three month LIBOR, was 5.88% at December 31, 1995, with contract maturities in October 1999.

Lease Commitments

Synovus has entered into long-term operating leases for various branch locations, data processing equipment, and furniture. Management expects that, as these leases expire, they will be renewed or replaced by other leases. At December 31, 1995, minimum rental commitments under all such noncancellable leases aggregated \$84,296,000 of which the following approximate amounts are due for the next five years:

(In thousands)	Real Property	Equipment and Furniture	Total
1996.....	\$5,136	26,253	31,389
1997.....	4,253	22,484	26,737
1998.....	3,650	5,203	8,853
1999.....	2,999	3,919	6,918
2000.....	2,632	1,453	4,085

Rental expense on equipment, including cancellable leases, was \$33,445,000, \$25,111,000, and \$21,716,000 in 1995, 1994, and 1993, respectively. Rental expense on facilities was \$6,144,000, \$5,586,000, and \$4,659,000 in 1995, 1994, and 1993, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contract Commitments

In the normal course of its business, TSYS maintains processing agreements with its customers. These processing agreements contain contractual commitments, including, but not limited to, minimum standards and time frames against which TSYS' performance is measured. In the event TSYS does not meet its contractual commitments with its customers, TSYS may incur penalties and/or certain customers may have the right to terminate their agreements 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.

Legal Proceedings

Synovus is subject to various legal proceedings and claims which arise in the ordinary course of its business. Any litigation is vigorously defended by Synovus and, in the opinion of management, based on consultation with external legal counsel, any outcome of such litigation would not materially affect Synovus' consolidated financial position.

Currently, multiple lawsuits, some seeking class action treatment, are pending against one of Synovus' Alabama banking subsidiaries that involve: (1) the sale of credit life insurance made in connection with consumer credit transactions; (2) payments of service fees or interest rebates to automobile dealers in connection with the assignment of automobile credit sales contracts to that Synovus subsidiary; and (3) the forced placement of insurance to protect that Synovus subsidiary's interest in collateral for which consumer credit customers have failed to obtain or maintain insurance. These lawsuits seek unspecified damages, including punitive damages, and some purport to be class actions which, if certified, may involve many of such subsidiary's consumer credit transactions in Alabama for a number of years. Synovus intends to vigorously contest these lawsuits and all other litigation to which Synovus and its subsidiaries are parties. Based on information presently available, and in light of legal and other defenses available to Synovus and its subsidiaries, contingent liabilities arising from the threatened and pending litigation are not considered material. It should be noted, however, that large punitive damage awards, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in Alabama.

Note 10 Supplemental Financial Data

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

(In thousands)	1995	1994	1993
Stationery, printing, and supplies	\$23,692	19,552	16,240
FDIC insurance	7,849	12,742	11,450

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Note 11 Industry Segments

Synovus operates principally in the banking industry through its affiliate banks and broker/dealer company. Synovus also operates in the computerized data processing industry through its majority-owned subsidiary, TSYS, which provides bankcard data processing for unaffiliated financial institutions and for Synovus. All inter-segment services provided are charged at the same rates as unaffiliated customers, are included in the revenues and net income of the respective segments, and are eliminated to arrive at consolidated totals.

Industry segment information for the years ended December 31, 1995, 1994, and 1993 is presented below.

(In thousands)		Banking	Data Processing	General Corporate	Eliminations	Consolidated
Revenues.....	1995	\$ 709,774	249,708	—	(2,860) (a)	956,622
	1994	586,917	187,571	—	(1,774) (a)	772,714
	1993	529,722	152,074	—	(1,662) (a)	680,134
Net income.....	1995	105,692	27,730	(13,506)	(5,333) (b)	114,583
	1994	83,983	22,490	(12,696)	(4,325) (b)	89,452
	1993	76,364	20,223	(15,224)	(3,896) (b)	77,467
Identifiable assets.....	1995	7,719,615	199,000	51,478	(42,498)	7,927,595
	1994	6,989,998	165,042	55,111	(34,072)	7,176,079
	1993	6,508,231	133,339	34,267	(19,663)	6,656,174
Capital expenditures (c).....	1995	22,835	25,108	269	—	48,212
	1994	19,117	22,501	320	—	41,938
	1993	30,786	21,630	469	—	52,885
Depreciation and amortization on premises, equipment, and purchased software.....	1995	13,999	17,126	332	—	31,457
	1994	12,871	13,472	365	—	26,708
	1993	11,834	12,556	280	—	24,670

(a) Principally, data processing service revenues provided to the banking segment.

(b) Minority interest in the data processing segment.

(c) Excludes expenditures related to data processing subsidiary's capitalization of internal software development costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Note 12 Condensed Financial Information of Synovus Financial Corp. (Parent Company only)****Condensed Statements of Condition**

(In thousands)

December 31,	1995	1994
Assets		
Cash	\$ 47	239
Investment in consolidated bank subsidiaries, at equity	736,379	639,801
Investment in consolidated nonbank subsidiaries, at equity	6,775	4,874
Notes receivable from subsidiaries	27,853	24,288
Other assets	24,040	33,069
Total assets	<u>\$795,094</u>	<u>702,271</u>
Liabilities and Shareholders' Equity		
Long-term debt	\$ 77,440	103,060
Other liabilities	24,099	19,331
Total liabilities	<u>101,539</u>	<u>122,391</u>
Shareholders' equity:		
Common stock	77,281	76,134
Surplus	127,021	118,782
Less treasury stock	(1,022)	(7,680)
Less unamortized restricted stock	(2,663)	(1,538)
Net unrealized gain (loss) on investment securities available for sale	5,774	(20,744)
Retained earnings	487,164	414,926
Total shareholders' equity	<u>693,555</u>	<u>579,880</u>
Total liabilities and shareholders' equity	<u>\$795,094</u>	<u>702,271</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Statements of Income

(In thousands)

Years ended December 31,	1995	1994	1993
Income:			
Dividends received from bank subsidiaries.....	\$ 76,464	72,800	46,407
Dividends received from nonbank subsidiaries.....	—	300	733
Management fees	2,511	3,586	3,273
Interest income.....	2,149	1,425	546
Other income.....	2,616	2,330	1,851
Total income.....	83,740	80,441	52,810
Expenses:			
Interest expense.....	6,046	6,874	6,983
Other expenses.....	23,904	19,758	17,103
Total expenses	29,950	26,632	24,086
Income before income taxes and equity in undistributed income of subsidiaries	53,790	53,809	28,724
Allocated income tax benefit.....	(9,246)	(6,931)	(3,585)
Income before equity in undistributed income of subsidiaries	63,036	60,740	32,309
Equity in undistributed income of subsidiaries	51,547	28,712	48,070
Income before extraordinary item	114,583	89,452	80,379
Extraordinary item - loss related to early extinguishment of debt (net of income tax benefit of \$1,568)	—	—	2,912
Net income	\$114,583	89,452	77,467

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Statements of Cash Flows

(In thousands)

Years ended December 31,	1995	1994	1993
Operating Activities			
Net income	\$114,583	89,452	77,467
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(51,547)	(28,712)	(48,070)
Net income of equity method investment	(78)	(337)	(329)
Extraordinary item - loss related to early extinguishment of debt, net	—	—	2,912
Depreciation, amortization, and accretion, net	739	1,312	1,326
Net increase in other liabilities	5,723	5,474	5,383
Net decrease (increase) in other assets	8,799	(10,632)	(1,047)
Net cash provided by operating activities	78,219	56,557	37,642
Investing Activities			
Net investment in subsidiaries	(9,835)	(11,005)	(22,180)
Cash from merged parent company operations	515	—	—
Net decrease (increase) in notes receivable from subsidiaries	1,200	1,700	(400)
Net increase in short-term notes receivable from subsidiaries	(4,765)	(6,907)	(11,481)
Purchase of premises and equipment, net	(266)	(301)	(913)
Net cash used in investing activities	(13,151)	(16,513)	(34,974)
Financing Activities			
Dividends paid to shareholders	(42,042)	(33,006)	(27,191)
Net decrease in short-term borrowings	—	(5,404)	(620)
Principal repayments on long-term debt	(25,620)	(2,166)	(69,065)
Extraordinary item - loss related to early extinguishment of debt, net	—	—	(2,912)
Proceeds from issuance of long-term debt	—	5,000	82,500
Purchase of treasury stock	(1,303)	(6,013)	—
Proceeds from issuance of common stock	3,705	1,270	14,447
Net cash used in financing activities	(65,260)	(40,319)	(2,841)
Decrease in cash	(192)	(275)	(173)
Cash at beginning of period	239	514	687
Cash at end of period	\$ 47	239	514

Supplemental Information: For the years ended December 31, 1995, 1994, and 1993, the Parent Company paid income taxes of \$68 million, \$48 million, and \$42 million, and interest in the amounts of \$6 million, \$7 million, and \$7 million, respectively.

The amount of dividends paid to the Parent Company from the affiliate banks is limited by various banking regulatory agencies. The amount of cash dividends available from subsidiary banks for payment in 1996, without prior approval from the banking regulatory agencies, is approximately \$98,375,000. In prior years, Synovus' banks have received permission and have paid cash dividends to the Parent Company in excess of these regulatory limitations.

As a result of the regulatory limitations, at December 31, 1995, approximately \$644,779,000 of the Parent Company's investment in net assets of subsidiary banks of \$743,154,000, as shown in the accompanying condensed statements of condition, was restricted from transfer by subsidiary banks to the Parent Company in the form of cash dividends.

The Federal Reserve Board issues guidelines for insured banks' minimum capital requirements. The capital requirements are based upon the perceived risk inherent in the assets of the company. The minimum risk-based capital required is 8% of which 4% must be Tier I Capital. Synovus exceeded minimum levels of required regulatory capital at December 31, 1995.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) established five capital categories for banks and bank holding companies. The bank regulators adopted regulations defining these five capital categories in September 1992. Under the regulations, each bank is classified into one of the five categories (well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on its level of risk-based capital as measured by the bank's Tier I capital ratio, total risk-based capital ratio, leverage ratio, and supervisory rating. FDICIA defines "well-capitalized" banks or bank holding companies as entities having a total risk-based capital ratio of 10% or higher; a Tier I risk-based capital ratio of 6% or higher; and a leverage ratio of 5% or higher. At December 31, 1995, Synovus and its bank subsidiaries have adequate capital to be classified as well-capitalized institutions under the FDICIA regulations.



Peat Marwick LLP

303 Peachtree Street, N.E.
Suite 2000
Atlanta, GA 30308

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Synovus Financial Corp.:

We have audited the accompanying consolidated statements of condition of Synovus Financial Corp. and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1995. 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 generally accepted auditing standards. 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 at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in the summary of significant accounting policies and note 2, Synovus changed its method of accounting for investments to adopt the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", at December 31, 1993.

KPMG Peat Marwick LLP

January 26, 1996



Member Firm of
Klynveld Peat Marwick Goerdeler

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)

Years ended December 31,	1995	1994	Percent Change
Statements of Condition			
Assets	\$7,927,595	7,176,079	10.5%
Loans, net	5,430,646	4,999,858	8.6
Deposits	6,727,879	5,924,603	13.6
Shareholders' equity	693,555	579,880	19.6
Book value per share	8.98	7.67	17.1
Cash dividends declared per share .....	.54	.45	20.0
Equity to assets	8.75%	8.08	
Reserve for loan losses to loans	1.48	1.48	
Statements of Income			
Net income	\$ 114,583	89,452	28.1%
Net income per share	1.50	1.19	25.6
Performance Ratios			
Return on assets	1.53%	1.32	
Return on equity	17.92	15.79	
Net interest margin	5.15	5.05	
Net overhead ratio	1.75	1.95	

FINANCIAL REVIEW

Summary

Synovus Financial Corp. (Synovus) has continued to improve performance with the most successful year in its history. Net income for 1995 was \$114.6 million, increasing 28.1% over the \$89.5 million earned in 1994. Net income per share increased to \$1.50 in 1995, up 25.6% from the \$1.19 earned in 1994. Return on assets continued to improve in 1995 increasing 21 basis points to 1.53%, compared to 1.32% in 1994. Return on equity also improved to 17.92% in 1995, compared to 15.79% in 1994.

These record results are attributable to significant improvements in Synovus' banking operations and at Total System Services, Inc. (TSYS), Synovus' majority owned bankcard processing subsidiary. During 1995, net interest income and non-interest income grew 13.5% and 24.2%, respectively, over 1994 while non-interest expense increased 16.0% and the provision for loan losses increased only 1.6%.

Synovus' banking operations results, which exclude TSYS, also continued to improve during 1995. Net income for Synovus' banking operations increased 29.3% to \$92.2 million from \$71.3 million in 1994. Return on assets for Synovus' banking operations improved in 1995 increasing 19 basis points to 1.26%, compared to 1.07% in 1994. Return on equity allocated to Synovus' banking operations also improved to 17.31% in 1995, compared to 15.01% in 1994.

Synovus' total assets ended the year at \$7.9 billion, a growth rate of 10.5% over 1994. This growth resulted from an \$803.3 million increase, or 13.6%, in total deposits. Net loans grew \$430.8 million, or 8.6%. The increases in both loans and deposits reflect a strong Southeastern economic environment as well as market share gains. Shareholders' equity grew 19.6% to \$693.6 million, which represented 8.75% of total assets.

The following discussion reviews the results of operations and assesses the financial condition of Synovus. This discussion should be read in conjunction with the preceding consolidated financial statements and accompanying notes.

On March 8, 1993, Synovus declared a three-for-two stock split effective April 1, 1993, to shareholders of record on March 18, 1993. Share and per share data for all periods presented have been retroactively restated to reflect the additional shares outstanding resulting from the stock split.

Table I

Five Year Selected Financial Data

(In thousands, except per share data)

	Years Ended December 31,				
	1995	1994	1993	1992	1991
Net interest income.....	\$ 341,875	301,231	263,213	241,203	203,728
Provision for losses on loans.....	25,787	25,387	24,924	33,302	29,161
Income before extraordinary item	114,583	89,452	80,379	66,685	51,959
Net income.....	114,583	89,452	77,467	66,685	51,959
Per share data:					
Income before extraordinary item.....	1.50	1.19	1.09	.92	.74
Net income.....	1.50	1.19	1.05	.92	.74
Cash dividends declared.....	.540	.450	.373	.310	.267
Long-term debt	106,815	139,811	143,481	143,215	109,794
Average total equity	639,426	566,562	505,027	444,565	383,352
Average total assets.....	7,498,299	6,782,659	6,141,794	5,702,968	4,966,446
Ratios:					
Return on assets before extraordinary item	1.53%	1.32	1.31	1.17	1.05
Return on assets after extraordinary item	1.53	1.32	1.26	1.17	1.05
Return on equity before extraordinary item.....	17.92	15.79	15.92	15.00	13.55
Return on equity after extraordinary item	17.92	15.79	15.34	15.00	13.55
Dividend payout ratio (a)	36.69	36.90	35.10	28.59	30.79
Average equity to average assets.....	8.53	8.35	8.22	7.80	7.72

(a) Determined by dividing dividends declared by net income, including pooled subsidiaries.

Acquisitions

The 1995 merger activity resulted in Synovus' entry into South Carolina and an expanded presence in Georgia. The merger with NBSC Corporation of Columbia, South Carolina, represents the largest in our history. NBSC brings a veteran management team and an opportunity to provide products and services to the growing markets in South Carolina.

In addition, the mergers with Douglasville, Georgia, based Citizens & Merchants Corporation and Riverdale, Georgia, based Peach State Bank continue to provide Synovus with access to the growth in the Atlanta suburbs.

A list of the bank acquisitions completed during the past two years follows:

(Dollars in thousands)

Company and Location	Date	Acquired Assets	Shares Issued	Financial Statement Presentation
Citizens & Merchants Corporation Douglasville, Georgia	April 28, 1995	\$ 52,000	626,469	Pooling (Non-restated)
NBSC Corporation Columbia, South Carolina	February 28, 1995	\$1,100,000	7,929,348	Restated Pooling
Peach State Bank Riverdale, Georgia	January 31, 1995	\$ 43,000	266,498	Purchase
State Bancshares, Inc. Enterprise, Alabama	October 31, 1994	\$ 62,000	548,879	Pooling (Non-restated)
PNB Bankshares, Inc. Peachtree City, Georgia	May 31, 1994	\$ 78,000	548,213	Pooling (Non-restated)

This information is discussed in further detail in Note 1 of the financial statements.

Table 2

Net Interest Income

(In thousands)

	Years Ended December 31,		
	1995	1994	1993
Interest income.....	\$ 615,788	498,382	443,872
Taxable-equivalent adjustment.....	5,107	5,599	6,830
Interest income, taxable-equivalent.....	620,895	503,981	450,702
Interest expense.....	273,913	197,151	180,659
Net interest income, taxable-equivalent.....	\$ 346,982	306,830	270,043

Earning Assets, Sources of Funds, and Net Interest Income

Average total assets for 1995 were \$7.5 billion, or 10.6% over 1994 average total assets of \$6.8 billion. Average earning assets for 1995 were \$6.7 billion, which represented 90% of average total assets. A \$664.6 million, or 11.6%, increase in average deposits for 1995 provided the funding for a \$628.3 million, or 13.6%, increase in average net loans. Average shareholders' equity for 1995 ended the year at \$639.4 million.

For 1994, average total assets increased \$640.9 million, or 10.4%. Average earning assets for 1994 were \$6.1 billion, which represented 90% of average total assets. For more detailed information on Synovus' average statement of condition for the years ended 1995, 1994, and 1993, refer to Table 3.

Net interest income (interest income less interest expense) is the largest component of Synovus' net income. This major source of income represents the earnings of Synovus' primary business of gathering funds from deposit sources and investing those funds in loans and securities. Synovus' long term objective is to manage those assets and liabilities to provide the largest possible amount of 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 costs (spread rate), and by the percentage of interest earning assets funded by interest bearing liabilities.

Net interest income for 1995 was a record \$341.9 million, up \$40.6 million, or 13.5%, from 1994. On a taxable-equivalent basis, net interest income was \$347.0 million, up \$40.2 million, or 13.1%, over 1994. During 1995, average interest earning assets increased \$658.3 million, or 10.8%, with the majority of this growth being in loans. Increases in the level of time deposits were the main contributor to the \$516.7 million, or 9.9%, growth in average interest bearing liabilities.

The 5.15% net interest margin achieved in 1995 is a 10 basis point increase over the 5.05% reported for 1994. This increase was primarily due to a 92 basis point increase in interest earning asset yields and a greater contribution from non-interest bearing funding sources. In 1995, the earning asset mix shifted more toward loans versus investment securities. This mix change had a favorable impact on the overall earning asset yield. Increases in the rate paid on interest bearing liabilities are primarily attributable to two factors. One factor is the continued repricing of deposits upward during 1995 with a general lag in deposit repricing as compared to interest earning assets. The other factor is the change in the mix of interest bearing liabilities as customers began moving their deposits back to higher paying time deposits from lower paying transaction accounts, as their expectations of the market rates changed in 1995. Another influence impacting the net interest margin is the percentage of earning assets funded by interest bearing liabilities. Funding for Synovus' earning assets comes from interest bearing liabilities, non-interest bearing liabilities, and shareholders' equity. Earning assets funded by non-interest bearing liabilities continue to provide a positive impact on the net interest margin.

During 1994, net interest income and tax-equivalent net interest income increased 14.4% and 13.6%, respectively. Average interest earning assets grew 10.0% while interest bearing liabilities increased 8.6%. This growth, along with a 16 basis point improvement in the net interest margin to 5.05% from 4.89%, contributed to Synovus' earnings. The increase in the spread rate of 11 basis points was the result of a 13 basis point increase in the yield on earning assets offset by a 2 basis point increase in the rate paid on interest bearing liabilities. The net interest margin also increased as a result of a 14.8% increase in average non-interest bearing demand deposits. The increasing market rates experienced during 1994 resulted in the repricing of interest earning assets upward, while depositors reinvested funds from maturing time deposits into savings accounts, interest bearing demand accounts, and money market accounts on a temporary basis, as their expectations were for further increases in market rates.

Despite the growth in net interest income and the strong net interest margin, the margin declined from a first quarter high of 5.25% to 5.10% in the fourth quarter of 1995. This decline during 1995 primarily resulted from a shift of transaction oriented deposit accounts to time deposits. Synovus sought to manage this decline through the use of product and pricing management as well as hedging opportunities using off-balance sheet derivatives. These activities are discussed further in the "Off-Balance Sheet Derivatives for Interest Rate Risk Management" section of this report.

Table 3

Consolidated Average Balances, Interest, and Yields

(In thousands)

	1995			1994			1993		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets									
Interest earning assets:									
Taxable loans, net (a) (b)	\$5,288,863	522,258	9.87%	\$4,643,731	412,086	8.87%	\$4,175,384	358,366	8.58%
Tax-exempt loans, net (b) (c)	38,044	4,230	11.12	45,755	4,747	10.37	54,048	5,197	9.62
Reserve for loan losses	(80,034)	—	—	(70,893)	—	—	(66,057)	—	—
Loans, net	5,246,873	526,488	10.03	4,618,593	416,833	9.03	4,163,375	363,563	8.73
Taxable investment securities (d)	1,270,063	77,198	6.08	1,270,976	72,546	5.71	1,115,237	69,494	6.23
Tax-exempt investment securities (c)(d) ...	120,064	11,096	9.24	123,437	11,780	9.54	137,744	14,318	10.39
Total investment securities	1,390,127	88,294	6.35	1,394,413	84,326	6.05	1,252,981	83,812	6.69
Interest earning deposits with banks	1,828	107	5.85	641	35	5.46	2,324	127	5.46
Federal funds sold	101,334	6,006	5.93	68,196	2,787	4.09	107,850	3,200	2.97
Total interest earning assets	6,740,162	620,895	9.21	6,081,843	503,981	8.29	5,526,530	450,702	8.16
Cash and due from banks	298,328			284,651			273,921		
Premises and equipment, net	209,415			197,313			183,665		
Other real estate	13,582			15,182			19,045		
Other assets (e)	236,812			203,670			138,633		
Total assets	\$7,498,299			\$6,782,659			\$6,141,794		
Liabilities and Shareholders' Equity									
Interest bearing liabilities:									
Interest bearing demand deposits	\$ 887,694	23,947	2.70%	\$ 873,992	22,614	2.59%	\$ 780,292	20,512	2.63%
Money market accounts	915,710	36,817	4.02	863,081	26,126	3.03	829,275	23,529	2.84
Savings deposits	475,962	13,746	2.89	510,380	14,226	2.79	434,037	12,643	2.91
Time deposits	3,113,375	179,251	5.76	2,574,468	113,953	4.43	2,443,877	107,960	4.42
Federal funds purchased and securities sold under agreement to repurchase	216,342	12,092	5.59	235,858	10,021	4.25	158,050	5,045	3.19
Other borrowed funds	125,317	8,060	6.43	159,900	10,211	6.39	157,181	10,970	6.98
Total interest bearing liabilities	5,734,400	273,913	4.78	5,217,679	197,151	3.78	4,802,712	180,659	3.76
Spread rate			4.43%			4.51%			4.40%
Non-interest bearing demand deposits	986,582			892,800			777,973		
Other liabilities	137,891			105,618			56,082		
Shareholders' equity	639,426			566,562			505,027		
Total liabilities and shareholders' equity	\$7,498,299			\$6,782,659			\$6,141,794		
Net interest income/margin		346,982	5.15%		306,830	5.05%		270,043	4.89%
Taxable-equivalent adjustment		(5,107)			(5,599)			(6,830)	
Net interest income, actual		\$341,875			\$301,231			\$263,213	

(a) Average loans are shown net of unearned income. Nonperforming loans are included.

(b) Interest income includes loan fees as follows: 1995 - \$20,825, 1994 - \$19,140, 1993 - \$19,176.

(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 certain investment securities available for sale, at their respective average amortized cost. For the years ended December 31, 1995, 1994, and 1993, the average amortized cost of these securities amounted to \$881,063, \$863,655, and \$55,781, respectively.

(e) In 1995 and 1994 there were \$7,674 and \$8,293, respectively, of average net unrealized losses on investment securities available for sale. Synovus adopted SFAS No. 115 on December 31, 1993. Prior to that date, the average recorded balance of net unrealized gains or losses was insignificant.

Table 4
Rate/Volume Analysis

(In thousands)

	1995 Compared to 1994			1994 Compared to 1993		
	Change Due to (a)			Change Due to (a)		
	Volume	Yield/ Rate	Net Change	Volume	Yield/ Rate	Net Change
Interest earned on:						
Taxable loans, net.....	\$57,249	52,923	110,172	40,197	13,523	53,720
Tax-exempt loans, net (b).....	(800)	283	(517)	(797)	347	(450)
Taxable investment securities.....	(52)	4,704	4,652	9,705	(6,653)	3,052
Tax-exempt investment securities (b).....	(322)	(362)	(684)	(1,487)	(1,051)	(2,538)
Interest earning deposits with banks.....	65	7	72	(92)	—	(92)
Federal funds sold.....	1,354	1,865	3,219	(1,177)	764	(413)
Total interest income.....	<u>57,494</u>	<u>59,420</u>	<u>116,914</u>	<u>46,349</u>	<u>6,930</u>	<u>53,279</u>
Interest paid on:						
Interest bearing demand deposits.....	355	978	1,333	2,463	(361)	2,102
Money market accounts.....	1,593	9,098	10,691	959	1,638	2,597
Savings deposits.....	(959)	479	(480)	2,224	(641)	1,583
Time deposits.....	23,853	41,445	65,298	5,769	224	5,993
Federal funds purchased and securities sold under agreement to repurchase.....	(829)	2,900	2,071	2,482	2,494	4,976
Other borrowed funds.....	(2,210)	59	(2,151)	190	(949)	(759)
Total interest expense.....	<u>21,803</u>	<u>54,959</u>	<u>76,762</u>	<u>14,087</u>	<u>2,405</u>	<u>16,492</u>
Net interest income.....	<u>\$35,691</u>	<u>4,461</u>	<u>40,152</u>	<u>32,262</u>	<u>4,525</u>	<u>36,787</u>

(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 1995 and 1994 in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis.

Non-Interest Income

Non-interest income consists of a wide variety of fee generating services viewed as traditional banking services along with revenues earned by TSYS, Synovus' bankcard data processing company. During 1995, total non-interest income increased \$66.5 million, or 24.2%. The majority of this increase was due to growth at TSYS.

TSYS contributed approximately 70% of Synovus' total non-interest income in 1995 with the majority of this reported as data processing services income. Data processing services income is derived principally from the servicing of individual bankcard accounts for the card issuing customers of TSYS. The growth in TSYS is evidenced by the average number of total cardholder accounts processed by TSYS, which was approximately 53.1 million in 1995, compared to 39.3 million in 1994, and 32.5 million in 1993. TSYS currently processes 63 million cardholder accounts across the United States, Puerto Rico, Canada, and Mexico.

A significant amount of TSYS' revenues are derived from certain major customers. For the years ended December 31, 1995, 1994, and 1993, two customers accounted for approximately 34%, 36%, and 37% of revenues, respectively. As a result, the loss of one of these major customers could have a material adverse effect on TSYS' results of operations.

In January of 1996, TSYS successfully completed the conversion of approximately 20,000 Bank of America cardholder accounts to TS², and in early February of 1996, Bank of America began opening new cardholder accounts on TS². TSYS' conversion schedule with Bank of America contemplated completion of the conversion of the balance of Bank of America's cardholder accounts by the end of 1996; however, there have been delays and this conversion schedule may be changed and portions of Bank of America's cardholder accounts may be converted in 1997. While delays in Bank of America's conversion schedule allow Bank of America certain remedies, including the receipt of financial penalties and the right to terminate its relationship with TSYS, TSYS' management believes all of Bank of America's cardholder accounts will be successfully converted. The conversion and processing of Bank of America's cardholder accounts is not expected to have a material impact on TSYS' 1996 financial condition or results of operations.

Revenues derived from the processing of TSYS' merchant account customers who accept certain private label cards, as well as bankcards, are included in data processing services income. Due to a significantly higher volume of transactions and item charges per individual account than consumer cardholder accounts, merchant accounts generally provide more revenue per account processed. At year-end 1995, TSYS was processing over 600,000

merchant accounts, a 57.9% increase over the 380,000 accounts being processed at year-end 1994; 269,000 merchant accounts were being processed at year-end 1993. The majority of the increase in merchant accounts being processed is attributable to the over 100,000 merchant accounts converted in connection with TSYS' joint venture with a number of banks in Mexico, Total System Services de Mexico, S.A. de C.V., (TSYS de Mexico). Additionally 40,000 merchant accounts of an existing customer previously processed by another processor contributed to the increase. Revenues from merchant accounts processing were approximately \$12.9 million, \$9.2 million, and \$7.0 million in 1995, 1994, and 1993, respectively.

Synovus continues to emphasize the importance of growth in non-interest related sources of income in its banking operations. Synovus looks to develop new sources of non-interest related income and to reprice services and products to reflect their related costs and value to customers. Non-interest income reported by Synovus' banking operations increased \$5.1 million, or 5.7%, in 1995. Excluding the \$2.9 million gain on the sale of certain credit card accounts recorded in 1994, banking operations' non-interest income increased \$7.8 million, or 9.1%.

Service charges on deposit accounts have historically been one of the primary sources of other income for Synovus' banking operations. In 1995, service charges on deposit accounts increased \$5.2 million, or 13.0%, as a result of increases in the number of accounts serviced and increased fee structures.

On January 1, 1995, Synovus formed Synovus Trust Company, a new affiliate in which to consolidate all Synovus' Georgia trust operations. This new affiliate is expected to bring continued efficiencies and expertise to this banking service. Trust fees for 1995 increased \$9 million, or 9.7%, over 1994. Fees for trust services are derived from performing estate administration, personal trust, corporate trust, and employee benefit plan administration. At December 31, 1995 and 1994, total market value of assets administered by Synovus Trust Company and affiliate bank trust operations was approximately \$3.5 billion and \$2.6 billion, respectively.

Non-interest income in 1995 has also been positively impacted by increases in revenues from mortgage banking and related servicing. In June of 1994, Synovus Mortgage Corp. was formed to enhance the mortgage products offered by the banking affiliates and to generate additional fee income through mortgage servicing. Synovus Mortgage Corp. provides expertise in the areas of products and pricing to the affiliate banks and serves as an outlet for placing these mortgage loans into the secondary market while retaining the related servicing rights. The adoption of SFAS No. 122, in July of 1995, had a small favorable impact on non-interest income.

In 1994, total non-interest income increased \$38.1 million, or 16.1%. Revenues from bankcard data processing services offered by TSYS were the largest contributor increasing \$29.8 million, or 20.1%, over 1993. Service charges on banking operations' deposit accounts increased \$2.3 million, or 5.8%, primarily as a result of continued growth in the number of accounts serviced. Fees for trust services fell slightly, less than 2%, in 1994 from an extremely strong 1993. Other operating income increased \$7.8 million, or 24.9%, in 1994 primarily due to two acquisitions in 1994, increases in gains on sales of other real estate, merchant fees on credit cards, and a \$2.9 million gain on the sale of certain credit card accounts.

Non-Interest Expense

Non-interest expense increased \$66.2 million, or 16.1%, in 1995 over 1994. Management analyzes non-interest expense in two separate components: banking operations and TSYS. The table below summarizes this data for 1995, 1994, and 1993:

(In thousands)	1995		1994		1993	
	Banking	TSYS	Banking	TSYS	Banking	TSYS
Salaries and other personnel expense	\$157,533	94,946	138,480	73,051	125,897	54,517
Net occupancy and equipment expense	35,080	64,549	32,136	51,283	29,258	43,421
Other operating expenses	72,721	47,291	83,836	28,139	72,737	21,521
Minority Interest	5,333	—	4,325	—	3,896	—
Total non-interest expense	<u>\$270,667</u>	<u>206,786</u>	<u>258,777</u>	<u>152,473</u>	<u>231,788</u>	<u>119,459</u>

Non-interest expense related to TSYS increased \$54.3 million, or 35.6%, in 1995 over 1994 with a significant portion of this increase being employment expenses. The average number of employees increased from 1,874 in 1994 to 2,087 in 1995. This growth in employees along with salary increases and a new employee retirement plan resulted in a \$21.9 million, or 30.0%, increase in employment expenses.

As TSYS expanded its fee-generating services, equipment rental, depreciation, and amortization expense related to the acquisition of facilities, equipment, and computer software increased. Total occupancy and equipment expenses increased \$13.3 million, or 25.9%, in 1995. A significant portion of this increase can be attributed to the amortization of TS', which commenced in October 1994 and amounted to \$3.3 million in 1995 compared to \$.8 million in 1994. TSYS continues to monitor and assess its building and equipment needs as it positions itself for future growth and expansion.

Other operating expenses at TSYS increased \$19.2 million, or 68.1%, in 1995 over 1994. A number of factors contributed to this increase. The volume of supplies related to the processing of accounts increased due to the growth in number of accounts serviced, coupled with an increase in the costs of supplies, especially paper. Travel expenses were up significantly in 1995 due to travel necessitated by the startup of TSYS de Mexico, which required a significant amount of on-site training. Other operating expenses also increased in 1995 as a result of certain provisions made for contractual or negotiated processing commitments. These provisions were deemed necessary in view of the increased risks associated with the significant growth in the number of accounts processed. Also contributing to the growth in other operating expenses are costs related to the conversion of clients to TS'.

In 1995, non-interest expense for Synovus' banking operations increased \$11.9 million, or 4.6%. The majority of increased expenses were in employment expense and related primarily to additional employees hired in 1995. The average number of employees in banking operations increased from 4,025 in 1994 to 4,272 in 1995. This growth was primarily due to growth within the banking affiliates, with a portion of this increase related to acquisitions. Other factors causing an increase in non-interest expense include salary increases, a new employee retirement plan, and a \$3.2 million expense related to the termination of the previous employee retirement plan. The banking operations efficiency ratio improved from 64.76% in 1994 to 60.95% in 1995. These improvements were primarily the result of increased revenues, expense control, and a decrease in the FDIC insurance rate.

Increases in non-interest expense were partially offset by a \$4.9 million decrease in FDIC premium expense in 1995 over 1994 due to the lowering, in 1995, of the FDIC assessment rate on deposits. Synovus believes that the current banking legislation will result in additional 1996 reductions in FDIC insurance paid by the well-capitalized banks. Additionally, deposits of approximately \$600 million, guaranteed by the Savings Association Insurance Fund, may be subject to a one-time assessment which would result in a \$4 million to \$6 million pre-tax charge to 1996 earnings.

Quality service for Synovus' customers, provided in the most efficient manner, continues to be a priority. During 1994, Synovus embarked upon a "modernization" effort, under which all banking support functions are being reviewed for potential improvements. Synovus is investing in improved technology, such as platform automation, and is standardizing certain support processes. Synovus believes that this effort will provide a greatly improved product delivery mechanism and will increase the productivity of the support functions.

Efforts are also directed toward the development of new banking services as well as enhancements to existing banking services. Recent developments are in the areas of touchtone banking, on-line capabilities, and new investment management services. Synovus continues to reorganize and refocus its resources whenever it can more effectively and efficiently deliver products and services to its customers. Some of these efforts are being accomplished through a new non-bank subsidiary, Synovus Administrative Services Corp. (SASC). SASC will provide future efficiency by eliminating some of the duplicative functions that exist among Synovus affiliates.

In 1994, total non-interest expense increased \$60.0 million, or 17.1%, over 1993. Expenses incurred at TSYS increased \$33.0 million, or 27.6%, in 1994 over 1993 as TSYS prepared for expansion of its fee-generating services. In 1994, the average number of employees at TSYS increased from 1,504 in 1993 to 1,874 in 1994. The Quickstart programmer class which began in the second quarter of 1994 added 100 analyst trainees upon enrollment. Employee additions were also necessary to serve the growing cardholder base. Remaining increases in employment expenses were due to normal salary increases and related benefits. Increases in equipment and occupancy expenses were also required in 1994, as compared to 1993, as TSYS obtained substantial new, technologically-advanced equipment in order to meet its business needs.

Non-interest expense for Synovus' banking operations increased \$27.0 million, or 11.6%, in 1994 over 1993. New hires, salary increases, and related benefits account for most of this increase. Other factors include FDIC insurance increases related to deposit growth, professional fee increases, and general increases related to two acquisitions completed in 1994.

In October of 1993, Synovus issued ten year, non-callable Senior notes totaling \$75 million at a rate of 6.125%. A portion of the proceeds were used to prepay \$45 million in long-term debt that carried a higher rate than the new issue. This prepayment resulted in a one-time after-tax charge of \$2.9 million that was expensed in the third quarter of 1993 and has reduced interest costs in subsequent years.

Investment Securities

Synovus' investment securities portfolio consists of debt and equity securities which are categorized as either available for sale or held to maturity. Synovus has an insignificant balance of trading investment securities used to facilitate business at Synovus Securities, Inc., Synovus' wholly-owned broker/dealer company. Investment securities 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 interest rate risk and credit risk related to the loans on the balance sheet. At December 31, 1995, approximately \$879.2 million of these investment securities were pledged as required collateral for certain deposits. See Table 14 for maturity and average yield information for the available for sale and held to maturity investment securities.

Synovus' investment strategy focuses on the use of the investment securities portfolio to manage the interest rate risk created by the natural mismatch inherent in the loan and deposit portfolios. With the strong loan demand at Synovus' affiliate banks, there is little need for investment securities solely to augment income or utilize uninvested deposits. Therefore, Synovus maintains a fairly conservative posture with respect to the types of investment securities in which it invests. As such, Synovus' investment securities are primarily U.S. Treasuries, U.S. Government agencies, and Government agency sponsored mortgage-backed securities, all of which have a high degree of liquidity. 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, 1995, 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, 1995 and 1994, the estimated fair value of investment securities as a percentage of their amortized cost was 101.0% and 96.0%, respectively. During 1995, the bond market performance was strong due to expectations of future interest rate declines. This strong performance had a positive impact on the market value of Synovus' investment securities portfolio. The investment securities portfolio had gross unrealized gains of \$19.8 million and gross unrealized losses of \$5.2 million, for a net unrealized gain of \$14.6 million as of December 31, 1995. As of December 31, 1994, the investment securities portfolio had a net unrealized loss of \$54.3 million. In accordance with SFAS No. 115, shareholders' equity contained a net unrealized gain of \$5.8 million and a net unrealized loss of \$20.7 million recorded on the available for sale portfolio as of December 31, 1995 and 1994, respectively. Table 5 presents the carrying value of investment securities held to maturity and investment securities available for sale at December 31, 1995, 1994, and 1993.

During 1995, the average balance of investment securities remained flat at \$1.4 billion as compared to 1994. Synovus earned a taxable-equivalent rate of 6.35% and 6.05% for 1995 and 1994, respectively, on its investment securities portfolio. As of December 31, 1995 and 1994, average investment securities represented 20.6% and 22.9%, respectively, of average interest earning assets. This decrease in the percentage of average investment securities to average interest earning assets is due to strong growth in the loan portfolio. Refer to Table 3 for more information on average investment securities.

On December 21, 1995, Synovus exercised an option allowed by "Special Report - a Guide to Implementation of FASB No. 115, Accounting for Certain Investments in Debt and Equity Securities - Questions and Answers" to make a one time transfer of investment securities held to maturity to investment securities available for sale. This transfer was made to add further liquidity and flexibility to the portfolio that will enable Synovus to more effectively manage its interest rate risk position. The amortized cost and estimated fair value of the investment securities transferred was \$133.7 million and \$133.9 million, respectively.

Table 5

Investment Securities

(In thousands)

	December 31,		
	1995	1994	1993
Investment Securities Held to Maturity:			
U.S. Treasury and U.S. Government agencies	\$ 81,772	159,354	89,111
Mortgage-backed securities	171,275	243,220	244,586
State and municipal	121,761	121,834	135,041
Other investments	6,110	8,525	7,243
Total securities held to maturity	<u>\$ 380,918</u>	<u>532,933</u>	<u>475,981</u>
Investment Securities Available for Sale:			
U.S. Treasury and U.S. Government agencies	\$1,004,286	767,544	807,353
Mortgage-backed securities	88,196	24,413	49,092
State and municipal	1,322	1,491	939
Other investments	12,494	11,321	14,984
Total securities available for sale	<u>\$1,106,298</u>	<u>804,769</u>	<u>872,368</u>
Total Investment Securities:			
U.S. Treasury and U.S. Government agencies	\$1,086,058	926,898	896,464
Mortgage-backed securities	259,471	267,633	293,678
State and municipal	123,083	123,325	135,980
Other investments	18,604	19,846	22,227
Total investment securities	<u>\$1,487,216</u>	<u>1,337,702</u>	<u>1,348,349</u>

Loans

Loans are the primary interest earning asset for Synovus. When analyzing prospective loans, management assesses both interest rate objectives 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 affiliates' respective communities. As illustrated in Table 6, Synovus strives toward maintaining 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. Demonstration of that strategy results in the fact that Synovus does not have any concentration of loans to any single industry or borrower, no foreign loans, and only \$1.5 million in highly leveraged transaction credits as of the end of 1995.

Representing 78% of average earning assets and 70% of average total assets, net loans increased \$430.8 million, or 8.6%, during 1995. Continued market share gains through successful business development and additional products and services offered to the current customer base has afforded Synovus this loan growth. In addition, the acquisitions of Citizens & Merchants Corporation and Peach State Bank contributed approximately \$60.0 million in loan growth.

Synovus has enjoyed a relatively strong average loan-to-deposit ratio over the past three years. The average loan-to-deposit ratio for 1995, 1994, and 1993 was 83.5%, 82.1%, and 80.3%, respectively.

The loan growth during 1995 was primarily internally generated through an ever increasing focus on affiliate bank customers. The growth in commercial loans was primarily centered in the larger markets in Alabama, South Carolina, and Georgia. These markets have experienced economic growth in 1995, especially with respect to real estate and working capital loans. Real estate construction and commercial real estate mortgage loans increased in 1995 due to economic growth in many of the Southeastern communities Synovus affiliate banks serve. Credit card loan growth has been most dramatically impacted by the increased number of customer accounts in several affiliate banks. Other installment loans have increased with targeted consumer loan products offered at selected affiliate banks. The growth in mortgage loans held for sale is mostly attributable to underwriting mortgage loans that are sold to third party investors, while retaining the servicing of those loans at Synovus Mortgage Corp. Synovus' mortgage loans held for sale are pre-committed extensions and are generally held less than thirty days, after which the loans are sold in the market to an unaffiliated investor. The slight decrease in retail real estate mortgage loans from 1994 to 1995 results primarily from the fact that Synovus has generated more mortgage loans for sale versus loans retained as interest earning assets. In addition, the decrease in mortgage loan interest rates during 1995 encouraged refinancings, which also reduced retail real estate mortgage loans.

Synovus has reduced nonperforming assets during 1995 as a result of constant attention and focus on loan quality while at the same time meeting the customers' needs. Loan officers work with each customer to determine which loan products will optimally meet their individual and specific lending needs. This focus on underwriting loans that benefit the customer, while maintaining credit quality standards, causes Synovus to be optimistic about the future growth and quality of the loan portfolio.

The composition of the loan portfolio at the end of the past five years, as shown in Table 6 and Table 7, presents the maturity distribution of selected categories within the loan portfolio.

Table 6

Loans by Type
(In thousands)

	December 31,				
	1995	1994	1993	1992	1991
Commercial:					
Commercial, financial, and agricultural	\$ 1,931,004	1,783,928	1,567,310	1,423,124	1,358,425
Real estate-construction	578,712	472,131	414,801	376,641	359,518
Real estate-mortgage	1,160,089	1,030,524	890,297	817,905	779,765
Total commercial	3,669,805	3,286,583	2,872,408	2,617,670	2,497,708
Retail:					
Real estate-mortgage	824,998	865,642	760,530	690,563	659,170
Installment loans-credit card	222,204	171,475	150,653	136,794	130,575
Installment loans-other	784,972	756,402	664,554	603,418	575,985
Mortgage loans held for sale	24,863	9,465	23,409	11,744	12,165
Total retail	1,857,037	1,802,984	1,599,146	1,442,519	1,377,895
Total loans	5,526,842	5,089,567	4,471,554	4,060,189	3,875,603
Unearned income	(14,812)	(14,691)	(18,148)	(25,371)	(31,214)
Total loans, net of unearned	\$ 5,512,030	5,074,876	4,453,406	4,034,818	3,844,389

Table 7

Loan Maturity Distribution and Interest Sensitivity
(In thousands)

	December 31, 1995			
	One Year Or Less	Over One Year Through Five Years	Over Five Years	Total
Selected loan categories:				
Commercial, financial, and agricultural	\$ 1,015,108	680,264	235,632	1,931,004
Real estate-construction	439,671	93,886	45,155	578,712
Total	\$ 1,454,779	774,150	280,787	2,509,716
Loans due after one year:				
Having predetermined interest rates				\$ 510,175
Having floating interest rates				544,762
Total				\$ 1,054,937

Commercial, financial, and agricultural loans include industrial revenue bonds and other loans that are granted primarily on the strength of the borrower's ability to generate repayment cash flows from income sources as well as the borrower's general credit standing, even though such loans and bonds may be secured by real estate or other assets. Real estate construction and mortgage loans represent extensions of credit used as interim or permanent financing of commercial properties that are secured by real estate as well as 1-4 family first mortgage loans.

Generally, retail lending decisions are made based upon the cash flow or earning power of the borrower which represents the primary source of repayment. However, in many lending transactions collateral is taken to provide an additional measure of security. Transactions secured by collateral result in 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 current and prospective credit-worthiness of the customer, terms of the loan, and economic conditions.

Provision for Losses on Loans and Net Charge-Offs

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

Table 8**Reserve for Loan Losses**

(In thousands)

	Years Ended December 31,				
	1995	1994	1993	1992	1991
Reserve for loan losses at beginning of year.....	\$75,018	67,270	61,336	55,279	45,512
Reserve for loan losses of acquired affiliates	1,001	1,535	—	8	7,135
Loans charged off during year:					
Commercial:					
Commercial, financial, and agricultural	13,746	13,809	13,097	17,761	16,731
Real estate-construction.....	239	240	228	309	291
Real estate-mortgage.....	1,840	1,849	1,753	2,378	2,240
Total commercial.....	15,825	15,898	15,078	20,448	19,262
Retail:					
Real estate-mortgage.....	209	210	200	271	255
Installment loans-credit card.....	6,627	6,658	6,315	8,563	8,066
Installment loans-other	2,271	2,282	2,164	2,935	2,765
Mortgage loans held for sale.....	—	—	—	—	—
Total retail.....	9,107	9,150	8,679	11,769	11,086
Total loans charged off.....	24,932	25,048	23,757	32,217	30,348
Recoveries of loans previously charged off during the year:					
Commercial:					
Commercial, financial, and agricultural	1,217	1,585	1,287	1,339	1,030
Real estate-construction.....	50	65	52	55	42
Real estate-mortgage.....	92	120	97	101	78
Total commercial.....	1,359	1,770	1,436	1,495	1,150
Retail:					
Real estate-mortgage.....	115	149	121	126	97
Installment loans-credit card.....	1,237	1,611	1,308	1,362	1,048
Installment loans-other	1,799	2,344	1,902	1,981	1,524
Mortgage loans held for sale.....	—	—	—	—	—
Total retail.....	3,151	4,104	3,331	3,469	2,669
Total loans recovered	4,510	5,874	4,767	4,964	3,819
Net loans charged off during year.....	20,422	19,174	18,990	27,253	26,529
Additions to reserve through provision expense.....	25,787	25,387	24,924	33,302	29,161
Reserve for loan losses at end of year	\$81,384	75,018	67,270	61,336	55,279
Reserve for loan losses to loans.....	1.48%	1.48	1.51	1.52	1.44
Ratio of net loans charged off during the year to average net loans outstanding during the year .....	.38%	.41	.45	.68	.78

In order to determine the adequacy of the reserve for loan losses and to determine the need for potential charges to the reserve, a formal review is prepared, quarterly, to assess the risk within the loan portfolio. This review, conducted by lending officers, as well as an independent loan administration department, includes analyses of historical performance, the level of nonperforming loans, specific analyses of certain problem loans, loan activity since the last quarter, consideration of current economic conditions, and other pertinent information. The resulting conclusions are reviewed and approved by senior management.

In accordance with SFAS No. 114, management, considering current information and events regarding the borrowers' ability to repay their 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 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 reserve for loan losses. When management considers a loan, or a portion thereof, as uncollectible, it is charged against the reserve for loan losses.

Through improved underwriting standards and the resolution of certain identified problem assets, Synovus' asset quality continued to improve during 1995 as measured by asset quality indicators.

Synovus' provision for loan losses during 1995 was \$25.8 million, up 1.6%, compared to \$25.4 in 1994. Nonperforming assets are at their lowest level in more than ten years and the reserve is 350.8% of nonperforming loans. The slight increase in the provision for loan losses is primarily a result of management's ongoing assessment of the loan portfolio and the potential for increased loan weaknesses in light of the slowing economy. Synovus was able to reduce the nonperforming asset ratio to its lowest level in over ten years to .64% as of December 31, 1995. Net charge-offs of \$20.4 million were 6.5% higher in 1995 compared to \$19.2 million in 1994. However, as a percent of average net loans, the net charge-off ratio improved from .41% in 1994 to .38% in 1995. A summary, by loan category, of loans charged off, recoveries of loans previously charged off, and additions to the reserve through provision expense is presented in Table 8.

An allocation of the reserve for loan losses has been made according to the respective amounts deemed necessary to provide for the possibility of incurred losses within the various loan categories. Although other relevant factors are considered, the allocation is primarily based on previous charge-off experience adjusted for risk characteristic changes among each category. Additional reserve amounts are allocated by evaluating the loss potential of individual loans that management has considered impaired. The reserve for loan loss allocation is based on subjective judgment and estimates, and therefore is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. In 1995, Synovus adopted SFAS No. 114, and prior years have not been restated to reflect this accounting change. Refer to Table 9 for a five year comparison of the allocation of the reserve for loan losses.

Table 9
Allocation of Reserve for Loan Losses

(In thousands)

	December 31,									
	1995		1994		1993		1992		1991	
	Reserve	%*	Reserve	%*	Reserve	%*	Reserve	%*	Reserve	%*
Commercial:										
Commercial, financial and agricultural	\$32,810	35%	\$32,343	36%	\$28,539	35%	\$28,427	35%	\$27,214	35%
Real estate-construction.....	570	10	562	9	496	9	494	9	473	9
Real estate-mortgage.....	4,392	21	4,329	20	3,820	20	3,805	20	3,643	20
Total commercial	37,772	66	37,234	65	32,855	64	32,726	64	31,330	64
Retail:										
Real estate-mortgage.....	499	15	492	17	434	17	432	17	414	17
Installment loans-credit card	6,627	4	6,658	3	6,315	3	8,563	3	8,066	3
Installment loans-other	14,610	14	14,277	15	12,159	15	9,838	15	9,550	15
Mortgage loans held for sale.....	—	1	—	—	—	1	—	1	—	1
Total retail for loan losses	21,736	34	21,427	35	18,908	36	18,833	36	18,030	36
Unallocated.....	21,876	—	16,357	—	15,507	—	9,777	—	5,919	—
Total reserve for loan losses.....	\$81,384	100%	\$75,018	100%	\$67,270	100%	\$61,336	100%	\$55,279	100%

* Loan amount in each category expressed as a percentage of total loans.

Nonperforming Assets

Nonperforming assets consist of nonaccrual loans, loans restructured due to debtors' financial difficulties, and real estate acquired through foreclosure and repossession. 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 interest is unlikely. Any loan past due 90 days or more, and based on a determination of collectibility not classified as nonaccrual, is classified as a past due loan. Nonaccrual loans are reduced by the direct application of interest receipts to loan principal, for accounting purposes only. Any payments in excess of the

interest that would have been earned had the loan been an accruing loan, is applied to the principal balance. If the principal amount of the loan is well collateralized, interest income on such loans will be recognized as interest income in the period in which payments are received. In all circumstances, the determination of when to place loans on nonaccrual status is also based on evaluation of the individual characteristics of each particular loan, which may result in policy deviations in some circumstances. Table 10 presents the amount of interest income that would have been received on nonaccrual loans if the loans had been current and performing in accordance with their original terms.

Synovus' nonperforming assets declined \$5.5 million to \$35.3 million, with a corresponding nonperforming asset ratio improving to .64% as of December 31, 1995 compared to .80% as of year end 1994. Synovus was able to reduce nonperforming assets while increasing loans \$437.2 million, or 8.6%, during 1995. During 1995, the reserve for loan losses increased \$6.4 million, or 8.5%, to \$81.4 million. Based on management's analysis of potential risk within the loan portfolio, additions are periodically made to maintain the reserve for loan losses at an appropriate level. Loans 90 days past due and still accruing increased \$4.0 million during 1995. Management believes that sufficient collateral value securing these loans exists to cover contractual interest and principal payments on the loans and management further believes the resolution of these delinquencies will not cause a material increase in nonperforming assets.

Table 10

Nonperforming Assets

(In thousands)

	December 31,				
	1995	1994	1993	1992	1991
Nonaccrual loans	\$ 21,469	26,497	30,296	45,812	43,246
Restructured loans	1,733	1,900	224	135	819
Nonperforming loans	23,202	28,397	30,520	45,947	44,065
90 days past due and still accruing loans	11,417	7,383	9,870	11,106	14,224
Total	\$ 34,619	35,780	40,390	57,053	58,289
Nonperforming assets:					
Nonperforming loans (a)	\$ 23,202	28,397	30,520	45,947	44,065
Other real estate	12,071	12,355	15,838	18,986	19,246
Total	\$ 35,273	40,752	46,358	64,933	63,311
Nonperforming assets to total loans and other real estate .....	.64%	.80	1.04	1.60	1.64
Reserve for loan losses to nonperforming loans	350.76%	264.18	220.41	133.49	125.45
			Nonaccrual	Restructured	Total
Year ended December 31, 1995:					
Interest at contracted rates (b)			\$ 3,670	200	3,870
Interest recorded as income			1,064	197	1,261
Reduction of interest income during 1995			\$ 2,606	3	2,609

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

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

Each one of Synovus' loans is assigned a rating, either individually or as part of a homogeneous pool, based on an internally developed grading system. An organizationally independent department also reviews grade assignments on an ongoing basis. Management continuously monitors nonperforming, impaired, and past due loans, in order 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 nonperforming assets or impaired loans. Management further believes nonperforming assets and impaired loans include any material loans in which doubts exist as to the collectibility of amounts due according to the contractual terms of the loan agreement.

Deposits

Deposits provide the most significant funding source for Synovus' interest earning assets. Table 11 shows the relative composition of average deposits for 1995, 1994, and 1993. Refer to Table 12 for the maturity distribution of time deposits of \$100,000 or more. These larger deposits represented 15.2%

and 13.6% of total deposits at December 31, 1995 and 1994, respectively. Synovus' large denomination time deposits are generally from customers within the local market area, therefore, providing a greater degree of stability than is typically associated with this source of funds.

For 1995, Synovus' average deposits increased \$664.6 million, or 11.6%, to \$6.4 billion from \$5.7 billion in 1994. Average interest bearing deposits for 1995, which include interest bearing demand deposits, money market accounts, saving deposits, and time deposits, increased \$570.8 million, or 11.8%, from 1994. This strong deposit growth occurred throughout several of the Synovus affiliate banks who used targeted time deposit programs to increase their deposits during 1995. Average non-interest bearing demand deposits increased \$93.8 million, or 10.5%, during 1995. Average interest bearing deposits increased \$334.4 million, or 7.5%, from 1993 to 1994, while non-interest bearing demand deposits increased \$114.8 million, or 14.8%. See Table 3 for further information on average deposits, including the average rates paid for 1995, 1994, and 1993.

Table 11
Average Deposits
(In thousands)

	Years Ended December 31,		
	1995	1994	1993
Non-interest bearing demand deposits.....	\$ 986,582	892,800	777,973
Interest bearing demand deposits	887,694	873,992	780,292
Money market accounts	915,710	863,081	829,275
Savings deposits	475,962	510,380	434,037
Time deposits.....	3,113,375	2,574,468	2,443,877
Total average deposits	<u>\$6,379,323</u>	<u>5,714,721</u>	<u>5,265,454</u>

Table 12
Maturity Distribution of Time Deposits of \$100,000 or More
(In thousands)

	Time Deposits at December 31, 1995
3 months or less	\$ 422,176
Over 3 months through 6 months	185,451
Over 6 months through 12 months.....	213,497
Over 12 months	202,776
Total outstanding.....	<u>\$1,023,900</u>

Interest Rate Risk Management

Managing interest rate risk is the primary goal of Synovus' asset/liability management function. Synovus attempts to achieve consistent growth in net interest income while limiting volatility arising from changes in interest rates. Synovus seeks to accomplish this goal by balancing the maturity and repricing characteristics of balance sheet assets and liabilities along with the selective use of off-balance sheet financial instruments. Synovus' asset/liability mix is sufficiently balanced so that the effect of interest rates moving in either direction is not expected to be significant over time.

Simulation modeling is the primary tool used by Synovus to measure its interest rate sensitivity. On at least a quarterly basis, the remainder of the current year and the next full fiscal year are simulated to determine the sensitivity of net interest income to changes in interest rates. The magnitude and velocity of rate changes among the various asset and liability groups exhibit different characteristics for each possible interest rate scenario. Simulation modeling enables Synovus to capture the effect of these differences as well as the effect of changes in asset and liability volumes. This modeling, combined with historical experience, indicates that Synovus is positioned such that its net interest income will generally increase slightly in the near term during a rising rate environment and decrease slightly in a declining rate environment.

Another tool utilized by Synovus' 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 13 reflects the gap positions of Synovus' consolidated balance sheet on December 31, 1995 and 1994, 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 Synovus' interest rate risk position. This gap analysis indicates that Synovus was moderately asset sensitive at December 31, 1995, with a cumulative one-year gap of 3.2%. Management believes that adjusted gap analysis is a useful tool for measuring interest rate risk only when used in conjunction with its simulation model.

Table 13

Interest Rate Sensitivity

(In millions)

	December 31, 1995			
	0-3 Months	4-12 Months	1-5 Years	Over 5 Years
Investment securities (a)	\$ 48.5	232.2	764.8	432.8
Loans, net of unearned income	2,861.9	789.1	1,434.7	426.3
Other	124.9	—	—	—
Interest sensitive assets	3,035.3	1,021.3	2,199.5	859.1
Deposits	2,012.2	1,450.3	801.8	1,321.9
Other borrowings	229.5	12.6	21.3	72.9
Interest sensitive liabilities	2,241.7	1,462.9	823.1	1,394.8
Interest rate swaps	(125.0)	—	125.0	—
Interest sensitivity gap	\$ 668.6	(441.6)	1,501.4	(535.7)
Cumulative interest sensitivity gap	\$ 668.6	227.0	1,728.4	1,192.7
Cumulative interest sensitivity gap as a percentage of total interest sensitive assets	9.4%	3.2	24.3	16.8

	December 31, 1994			
	0-3 Months	4-12 Months	1-5 Years	Over 5 Years
Investment securities (a)	\$ 55.5	153.9	836.0	324.2
Loans, net of unearned income	2,597.8	784.7	1,388.0	304.4
Other	45.1	—	—	—
Interest sensitive assets	2,698.4	938.6	2,224.0	628.6
Deposits	1,905.4	1,062.0	699.4	1,274.7
Other borrowings	412.1	29.3	31.5	79.0
Interest sensitive liabilities	2,317.5	1,091.3	730.9	1,353.7
Interest sensitivity gap	\$ 380.9	(152.7)	1,493.1	(725.1)
Cumulative interest sensitivity gap	\$ 380.9	228.2	1,721.3	996.2
Cumulative interest sensitivity gap as a percentage of total interest sensitive assets	5.9%	3.5	26.5	15.4

(a) Excludes the effect of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", consisting of net unrealized gains in the amount of \$8.9 million in 1995 and net unrealized losses of \$31.9 million in 1994.

Table 14

Maturities of Investment Securities and Average Yields

(In thousands)

	Investment Securities Held to Maturity December 31, 1995		Investment Securities Available for Sale December 31, 1995	
	Amortized Cost	Average Yield	Estimated Fair Value	Average Yield
U.S. Treasury and U.S. Government agencies:				
Within 1 year.....	\$ 14,924	6.80%	\$ 241,688	5.81%
1 to 5 years.....	44,615	6.55	557,958	6.03
5 to 10 years.....	22,233	7.44	204,131	7.02
More than 10 years.....	—	—	509	7.75
Total.....	<u>\$ 81,772</u>	<u>6.84%</u>	<u>\$ 1,004,286</u>	<u>6.18%</u>
Mortgage-backed securities:				
Within 1 year.....	\$ 1,692	7.43%	\$ 1,239	7.41%
1 to 5 years.....	73,793	5.93	34,612	6.46
5 to 10 years.....	22,174	7.24	11,644	6.96
More than 10 years.....	73,616	7.15	40,701	6.63
Total.....	<u>\$ 171,275</u>	<u>6.64%</u>	<u>\$ 88,196</u>	<u>6.62%</u>
State and municipal:				
Within 1 year.....	\$ 17,986	9.63%	\$ 298	10.51%
1 to 5 years.....	52,596	8.70	668	11.77
5 to 10 years.....	35,218	8.68	98	6.62
More than 10 years.....	15,961	10.60	258	8.64
Total.....	<u>\$ 121,761</u>	<u>9.08%</u>	<u>\$ 1,322</u>	<u>10.41%</u>
Other investments:				
Within 1 year.....	\$ 98	4.04%	\$ 3,382	9.03%
1 to 5 years.....	1,832	7.09	3,325	8.15
5 to 10 years.....	265	7.92	2,251	7.64
More than 10 years.....	3,915	5.82	3,536	5.76
Total.....	<u>\$ 6,110</u>	<u>6.27%</u>	<u>\$ 12,494</u>	<u>7.55%</u>
Total Investment Securities:				
Within 1 year.....	\$ 34,700	8.29%	\$ 246,607	5.87%
1 to 5 years.....	172,836	6.95	596,563	6.08
5 to 10 years.....	79,890	7.93	218,124	7.03
More than 10 years.....	93,492	7.69	45,004	6.58
Total.....	<u>\$ 380,918</u>	<u>7.46%</u>	<u>\$ 1,106,298</u>	<u>6.24%</u>

The calculation of weighted average yields for securities is based on the amortized cost and effective yields of each security weighted for the scheduled maturity 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 35% for 1995.

Off-Balance Sheet Derivatives for Interest Rate Risk Management

As part of our overall interest rate risk management activities, Synovus utilizes off-balance sheet derivatives to modify the repricing characteristics of on-balance sheet assets and liabilities. As of December 31, 1995, all off-balance sheet derivatives were interest rate swaps where Synovus receives a fixed rate of interest and pays a floating rate. These swaps have the effect of converting on-balance sheet floating rate assets to fixed rate assets, thereby reducing the natural asset sensitivity of Synovus' core banking business.

The nature of these transactions is essentially the same as purchasing a fixed-rate security funded with a floating-rate liability. All swaps utilized by Synovus represent end-user activities designed as hedges, all of which are linked to specific assets as part of overall interest rate risk management practices. Management feels that the utilization of these instruments provides greater financial flexibility and is a very efficient tool for managing interest rate risk position.

The notional amount of interest swaps utilized by Synovus as of December 31, 1995, was \$125 million. 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.

December 31, 1995 (In thousands)	Notional Amount	Average Receive Rate	Average Pay Rate	Weighted Maturity In Months	Weighted Unrealized Gains	Average Unrealized Losses	Net Fair Value
Receive Fixed Swaps	\$125,000	5.98%	5.88%	46	1,776	—	1,776

The above table represents the December 31, 1995 status of all off-balance sheet derivative positions at Synovus and its affiliate bank, Columbus Bank and Trust Company. There were no maturities, offsets, or terminations in 1995.

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. Management actively analyzes and manages Synovus' liquidity position in coordination with similar committees at each affiliate bank. These affiliates, with the help of management, maintain liquidity in the form of cash on deposit, federal funds, securities available for sale, and cash derived from prepayments and maturities of both their investment and loan portfolios. Liquidity is also enhanced by the acquisition of new deposits and the well established core deposits of Synovus' 211 banking offices in four states. The affiliate banks monitor deposit flow and evaluate alternate pricing structures to retain and grow deposits. Certain Synovus affiliate banks maintain correspondent banking relationships with various national and regional financial organizations. These relationships provide access to short-term borrowings through federal funds which allows Synovus to meet immediate liquidity needs if required.

Synovus serves a diversity of markets. Some of these are rapidly growing areas where loan demand outpaces the generation of deposits. However, through the loan participations between Synovus' affiliate banks, these loans can be funded by affiliates having lower local loan demand. Additionally, lending is focused within the local markets served by Synovus, enabling the development of comprehensive banking relationships.

Additionally, the Parent Company requires cash for various operating needs including dividends to shareholders, business combinations, capital infusions into affiliates, the servicing of debt, and the payment of general corporate expenses. The primary source of liquidity for the Parent Company is dividends from the affiliate banks. In addition, the Parent Company has access to a \$20 million line of credit. The Parent Company enjoys an excellent reputation and credit standing in the market place and has the ability to raise substantial amounts of funds in the form of either short or long-term borrowings. The Parent Company's current principal debt, senior notes totaling \$75 million at a rate of 6.125%, has been rated "A" by Standard and Poors Corp., "A3" by Moody's Investor Service and "AA-" by Thomson Bankwatch. For a complete description of these borrowings and other borrowings by other Synovus affiliates, see Note 6 to Synovus' consolidated financial statements.

The consolidated statements of cash flows detail Synovus' cash flows from operating, investing, and financing activities. Net cash provided by operating activities was \$152.4 million for the year ended December 31, 1995, while financing activities provided \$467.1 million. Investing activities used \$581.4 million of this amount, resulting in a net increase in cash and cash equivalents of \$38.1 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 Synovus' 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.

Capital Resources and Dividends

Synovus has always placed great emphasis on maintaining a strong capital base and continues to exceed all minimum 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 \$693.6 million represented 8.75% of total assets at December 31, 1995.

Regulators 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 are on-balance sheet assets for Synovus in the form of loans. A small portion of risk-weighted assets are considered off-balance sheet assets and are primarily made up of letters of credit, loan commitments, and to a lesser extent interest rate swaps, that Synovus makes in the normal course of business. Capital is categorized into two types: Tier I and Tier II. The capital guidelines used by regulators require an 8% total risk-based capital ratio of which 4% must be Tier I capital. Additionally, the regulatory agencies define a well-capitalized bank as one which 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 the end of 1995, Synovus and all affiliate banks were in excess of the minimum capital requirements with a consolidated Tier I capital ratio of 11.28% and a total risk-based capital ratio of 12.57%, compared to Tier I and total risk-based capital ratios of 11.04% and 12.36%, respectively, in 1994 as shown in Table 15.

In addition to the risk-based capital standards, a minimum leverage ratio of 4% is required for the highest-rated bank holding companies which 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. As of December 31, 1995, Synovus had a leverage ratio of 8.71%, which significantly exceeds the regulatory requirements.

Synovus' capital level also exceeds all requirements under the Federal Reserve Board's guidelines. The Federal Reserve Board requires a minimum primary capital ratio of 5.50% and a total capital ratio of 6.00% for bank holding companies and banks. At December 31, 1995, Synovus' primary and total capital ratios as defined by the Federal Reserve Board were 9.49% and 9.52%, respectively, compared to 9.18% and 9.23%, respectively, at year end 1994.

During the third quarter of 1994, Synovus announced its plan to acquire up to 750,000 shares of Synovus common stock in the open market. Through December 31, 1995, 362,600 shares of Synovus common stock have been purchased under this plan at an average price of \$23.51. Of these shares, 266,498 shares were used in 1995 to acquire Peach State Bank. Approximately 52,000 shares were issued to employees for vested stock option exercises. The remaining shares under this plan along with other treasury shares acquired before this plan amount to 43,930 as of December 31, 1995. These shares will be used to fund incentive stock award plans and other employee benefit plans. The remaining shares to be purchased under the stock repurchase plan will be purchased based on market conditions over the next two years.

Synovus' 80.8% 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 service companies. As of December 31, 1995, there were approximately 17,000 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 16 displays high and low quotations of Synovus common stock which are based on actual transactions.

Table 15

Capital Ratios (a)

(In thousands)

	December 31,	
	1995	1994
Tier I capital:		
Shareholders' equity	\$ 693,555	579,880
Adjustment for SFAS No. 115	(5,774)	20,744
Plus: Minority interest	27,790	22,483
Less: Disallowed intangibles	(41,406)	(32,890)
Total Tier I capital	674,165	590,217
Tier II capital:		
Eligible portion of the reserve for loan losses	74,818	66,947
Subordinated and other qualifying debt	2,440	3,697
Total Tier II capital	77,258	70,644
Total risk-based capital	\$ 751,423	660,861
Total risk-adjusted assets	\$ 5,978,913	5,347,687
Tier I capital ratio	11.28%	11.04
Total risk-based capital ratio	12.57	12.36
Leverage ratio	8.71	8.45
Regulatory Minimums:		
Tier I capital ratio	4.00%	
Total risk-based capital ratio	8.00	
Leverage ratio	4.00	

(a) Risk-based capital ratios, for both years presented, were prepared using risk-based capital rules finalized in November, 1994, which exclude the impact of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Table 16

Market and Stock Price Information

	High	Low
1995		
Quarter ended December 31, 1995	\$30¼	25
Quarter ended September 30, 1995	27¼	22½
Quarter ended June 30, 1995	22¾	19¼
Quarter ended March 31, 1995	19¾	17¾
1994		
Quarter ended December 31, 1994	\$19¾	18
Quarter ended September 30, 1994	19¾	16¾
Quarter ended June 30, 1994	18½	16¾
Quarter ended March 31, 1994	19¼	16¾

Dividends

It is Synovus' objective to pay out approximately one-third of earnings to shareholders in cash dividends. Synovus' dividend payout ratio in 1995, 1994, and 1993 was 36.69%, 36.90%, and 35.10%, respectively. The total dollar amount of dividends declared increased 28.5% in 1995 to \$42.0 million, from \$33.0 million in 1994. Cash dividends have been paid on the common stock of Synovus (including its predecessor companies) in every year since 1891. It is the present intention of the Synovus Board of Directors to continue to pay cash dividends on its common stock in accordance with the previously mentioned objective. Table 17 presents the declared and paid dates from recent dividends, as well as per share dividend amounts.

Table 17

Dividends

Date Declared	Date Paid	Per Share Amount
November 13, 1995	January 2, 1996	\$.1350
September 11, 1995	October 2, 1995	.1350
May 8, 1995	July 3, 1995	.1350
February 14, 1995	April 3, 1995	.1350
November 14, 1994	January 3, 1995	.1125
September 12, 1994	October 1, 1994	.1125
May 9, 1994	July 1, 1994	.1125
February 23, 1994	April 1, 1994	.1125

Commitments

Synovus believes it has sufficient capital, liquidity, and future cash flows from operations to meet operating needs over the next year. Table 18, Note 6, and Note 9 to Synovus' consolidated financial statements provide additional information on Synovus' short-term and long-term borrowings.

In the normal course of its business, TSYS maintains processing agreements with its customers. These processing agreements contain contractual commitments, including, but not limited to, minimum standards and time frames against which TSYS' performance is measured. In the event TSYS does not meet its contractual commitments with its customers, TSYS may incur penalties and/or certain customers may have the right to terminate their agreements 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 is subject to various legal proceedings and claims which arise in the ordinary course of its business. Any litigation is vigorously defended by Synovus and, in the opinion of management, based on consultation with external legal counsel, any outcome of such litigation would not materially affect Synovus' consolidated financial position.

Currently, multiple lawsuits, some seeking class action treatment, are pending against one of Synovus' Alabama banking subsidiaries that involve: (1) the sale of credit life insurance made in connection with consumer credit transactions; (2) payments of service fees or interest rebates to automobile dealers in connection with the assignment of automobile credit sales contracts to that Synovus subsidiary; and (3) the forced placement of insurance to protect that Synovus subsidiary's interest in collateral for which consumer credit customers have failed to obtain or maintain insurance. These lawsuits seek unspecified damages, including punitive damages, and some purport to be class actions which, if certified, may involve many of such subsidiary's consumer credit transactions in Alabama for a number of years. Synovus intends to vigorously contest these lawsuits and all other litigation to which Synovus and its subsidiaries are parties. Based on information presently available, and in light of legal and other defenses available to Synovus and its subsidiaries, contingent liabilities arising from the threatened and pending litigation are not considered material. It should be noted, however, that large punitive damage awards, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in Alabama.

Table 18

Short-Term Borrowings

(In thousands)

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

	1995	1994	1993
Month end balance for year ended December 31,	\$ 229,477	412,082	260,619
Weighted average interest rate at December 31,	5.65%	5.40	2.81
Maximum month end balance during the year	\$ 362,035	412,082	260,619
Average amount outstanding during the year	\$ 216,342	235,858	158,050
Weighted average interest rate during the year	5.59%	4.18	3.01

Income Tax Expense

As reported in the consolidated statements of income, Synovus' income tax expense increased to \$64.9 million in 1995, up from \$49.5 million in 1994, and \$42.9 million in 1993. The effective tax rate was 36.2%, 35.6%, and 34.8% in 1995, 1994, and 1993, respectively. The increases in both 1995 and 1994 were primarily the result of increases in pre-tax income and in the relative percentage of taxable income to total income. The increase in 1995 was also affected by a decrease in certain research and experimentation credits. Factors affecting 1994 were fewer state tax credits and loss carryovers in 1994 as compared to 1993. See Note 7 to Synovus' 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 earnings. Synovus copes with the effects of inflation by managing its interest rate sensitivity gap 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 affiliates, 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 affiliates if necessary, acquire new affiliates, pay corporate operating expenses, and pay dividends to its shareholders. These operations are funded by dividends and fees received from affiliates, and borrowings from outside sources.

In connection with dividend payments to the Parent Company from its affiliate banks, certain rules and regulations of the various state and federal banking regulatory agencies limit the amount of dividends which may be paid. As of December 31, 1995, \$98.4 million in dividends could be paid in 1996 to the Parent Company from its affiliates without prior regulatory approval. Synovus anticipates receiving regulatory approval to allow affiliates to pay dividends in excess of these regulatory limits.

Summary of Quarterly Financial Data (Unaudited)

(In thousands, except per share data)

Presented below is a summary of the unaudited consolidated quarterly financial data for the years ended December 31, 1995 and 1994.

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
1995				
Interest income	<u>\$ 160,683</u>	<u>157,443</u>	<u>153,318</u>	<u>144,344</u>
Net interest income	<u>88,274</u>	<u>86,262</u>	<u>84,509</u>	<u>82,830</u>
Provision for losses on loans	<u>8,589</u>	<u>6,214</u>	<u>5,739</u>	<u>5,245</u>
Income before income taxes	<u>52,966</u>	<u>47,197</u>	<u>41,788</u>	<u>37,518</u>
Net income.....	<u>33,634</u>	<u>30,279</u>	<u>26,600</u>	<u>24,070</u>
Net income per share.....	<u>.44</u>	<u>.39</u>	<u>.35</u>	<u>.32</u>
 1994				
Interest income.....	<u>\$ 135,736</u>	<u>127,675</u>	<u>122,354</u>	<u>112,617</u>
Net interest income	<u>81,100</u>	<u>77,469</u>	<u>74,789</u>	<u>67,873</u>
Provision for losses on loans.....	<u>8,358</u>	<u>5,463</u>	<u>5,566</u>	<u>6,000</u>
Income before income taxes	<u>33,613</u>	<u>37,853</u>	<u>35,163</u>	<u>32,297</u>
Net income.....	<u>21,752</u>	<u>24,683</u>	<u>22,598</u>	<u>20,419</u>
Net income per share.....	<u>.29</u>	<u>.33</u>	<u>.30</u>	<u>.27</u>

Shareholder Information

General Offices

P.O. Box 120 • Columbus, Ga. 31902-0120

Stock Trading Information

Synovus Financial Corp. common stock is traded on the New York Stock Exchange (NYSE) under the symbol SNV. Price and volume information appears under the abbreviation SynovusFnl in NYSE daily stock quotation listings.

Ratings

Synovus Financial Corp.: Long-Term Debt, Standard and Poor's rates A, Moody's A3, and Thomson Bankwatch AA-. Columbus Bank and Trust Company: Short-Term Certificates of Deposit, Standard and Poor's rates A1; Long-Term Certificates of Deposit, Standard and Poor's rates A+.

Dividend Reinvestment Plan

Synovus Financial Corp. offers shareholders a convenient Dividend Reinvestment Plan for automatic reinvestment of dividends in the common stock of the company. Additional cash contributions, up to \$2,500 per month, may be made to purchase additional shares. For more information, contact the Transfer Agent at 1-800-503-8903 or Investor Relations.

Direct Dividend Deposit Plan

Synovus Financial Corp. offers shareholders a convenient Direct Dividend Deposit Plan for automatic deposit of dividends into personal bank accounts on the same day dividends are paid. For more information, contact the Transfer Agent at 1-800-503-8903.

Shareholder Services

Shareholders desiring to enroll in the Synovus Dividend Reinvestment Plan; enroll in the Direct Dividend Deposit Plan; change the name, address, or ownership of stock; report lost certificates; or consolidate accounts, should contact the Transfer Agent at 1-800-503-8903 or write:

State Street Bank and Trust Company • P.O. Box 8200
Boston, MA 02266-8200

Form 10-K

A copy of the company's 1995 annual report on Form 10-K, filed with the Securities and Exchange Commission, is available at no charge upon written request to Investor Relations at the address below.

Investor Relations


Analysts, investors, and others seeking financial information should contact:

Patrick A. Reynolds, Vice President
Director of Investor Relations
Synovus Financial Corp.
P.O. Box 120
Columbus, Ga. 31902-0120 • 706-649-5220

Information about Synovus Financial Corp. is now available on the Internet at:
<http://www.snv.com>

Notice of Annual Shareholders' Meeting

10:00 a.m. E.T., April 25, 1996, in the North Hall of the Columbus, Georgia, Convention and Trade Center.

SYNOVUS®, SYNOVUS FINANCIAL CORP.®, the stylized  logo, and Columbus Bank and Trust® are federally registered marks of Synovus Financial Corp. TOTAL SYSTEM SERVICES, INC.™ and THE TOTAL SYSTEM™ are service marks, and TSYS® and TS²® are federally registered service marks of Total System Services, Inc.



printed on recycled paper



SYNOVUS[®]
FINANCIAL CORP.

P.O. BOX 120
COLUMBUS, GEORGIA
31902-0120

