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Morgan Stanley Finance LLC

STRUCTURED INVESTMENTS

Opportunities in U.S. Equities

Trigger PLUS Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due February 1, 2024

Trigger Performance Leveraged Upside Securities℠

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The Trigger PLUS are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The Trigger PLUS will pay no interest, do not guarantee any return of principal at maturity and have the terms described in the accompanying product supplement for PLUS, index supplement and prospectus, as supplemented or modified by this document. The payment at maturity on the Trigger PLUS will be based on the value of the worst performing of the S&P 500® Index and the Russell 2000® Index, which we refer to as the underlying indices. At maturity, if **both** underlying indices have **appreciated** in value, investors will receive the stated principal amount of their investment plus leveraged upside performance of the worst performing underlying index, subject to the maximum payment at maturity. If **either** of the underlying indices **depreciates** in value, but the final index value of **each** underlying index is greater than or equal to 60% of the respective initial index value, which we refer to as the respective trigger level, investors will receive the stated principal amount of their investment. However, if the final index value of **either** underlying index is less than its respective trigger level, investors will lose a significant portion or all of their investment, resulting in a loss of 1% for every 1% decline in the worst performing underlying index from its initial index value. **Investors may lose their entire initial investment in the Trigger PLUS.** Because the payment at maturity of the Trigger PLUS is based on the worst performing of the underlying indices, a decline in **either** underlying index below its respective trigger level will result in a significant loss of your investment, even if the other underlying index has appreciated or has not declined as much. These long-dated Trigger PLUS are for investors who seek an equity index-based return and who are willing to risk their principal, risk exposure to the worst performing of two underlying indices and forgo current income and upside above the maximum payment at maturity in exchange for the upside leverage feature and the limited protection against loss that applies only if the final index value of each underlying index is greater than or equal to the respective trigger level. The Trigger PLUS are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These Trigger PLUS are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

SUMMARY TERMS

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Maturity date:	February 1, 2024
Underlying indices:	S&P 500® Index (the "SPX Index") and Russell 2000® Index (the "RTY Index")
Valuation date:	January 29, 2024, subject to postponement for non-index business days and certain market disruption events
Aggregate principal amount:	$
Payment at maturity:	If the final index value of **each underlying index** is *greater than* its respective initial index value, $1,000 + leveraged upside payment *In no event will the payment at maturity exceed the maximum payment at maturity.* If the final index value of **either underlying index** is *less than or equal to* its respective initial index value, but the final index value of each underlying index is *greater than or equal to* its respective trigger level: $1,000 If the final index value of **either underlying index** is *less than* its respective trigger level: $1,000 x index performance factor of the worst performing underlying index *Under these circumstances, the payment at maturity will be less than the stated principal amount of $1,000 and will represent a loss of at least 40%, and possibly all of your investment.*
Leveraged upside payment:	$1,000 × leverage factor × index percent change of the worst performing underlying index
Leverage factor:	400%
Index percent change:	With respect to each underlying index, (final index value – initial index value) / initial index value
Worst performing underlying index:	The underlying index with the lesser index percent change
Index performance factor	With respect to each underlying index, final index value / initial index value
Maximum payment at maturity:	At least $1,700 per Trigger PLUS (at least 170% of the stated principal amount). The actual maximum payment at maturity will be determined on the pricing date.
Initial index value:	With respect to the SPX Index, , which is the index closing value of such index on the pricing date With respect to the RTY Index, , which is the index closing value of such index on the pricing date
Final index value:	With respect to each underlying index, the index closing value of such index on the valuation date

Trigger level:	With respect to the SPX Index, , which is 60% of the initial index value of such index With respect to the RTY Index, , which is 60% of the initial index value of such index
Stated principal amount / Issue price:	$1,000 per Trigger PLUS (see "Commissions and issue price" below)
Pricing date:	January 28, 2019
Original issue date:	January 31, 2019 (3 business days after the pricing date)
CUSIP / ISIN:	61768DVS1 / US61768DVS16
Listing:	The Trigger PLUS will not be listed on any securities exchange.
Agent:	Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."
Estimated value on the pricing date:	Approximately $944.90 per Trigger PLUS, or within $30.00 of that estimate. See "Investment Summary" beginning on page 2.

Commissions and issue price:	**Price to public[(1)]**	**Agent's commissions and fees[(2)]**	**Proceeds to us[(3)]**
Per Trigger PLUS	$1,000	$	$
Total	$	$	$

(1) The price to public for investors purchasing the Trigger PLUS in fee-based advisory accounts will be $970 per Trigger PLUS.

(2) Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $ for each Trigger PLUS they sell; provided that dealers selling to investors purchasing the Trigger PLUS in fee-based advisory accounts will receive a sales commission of $ per Trigger PLUS. . See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement for PLUS.

(3) See "Use of proceeds and hedging" on page 20.

The Trigger PLUS involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 8.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement, index supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Trigger PLUS are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Terms of the Trigger PLUS" and "Additional Information About the Trigger PLUS" at the end of this document.

As used in this document, "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for PLUS dated November 16, 2017 | **Index Supplement dated November 16, 2017** | **Prospectus dated November 16, 2017**

Morgan Stanley Finance LLC
Trigger PLUS Based on the Value of Worst Performing of the S&P 500® Index and the Russell 2000® Index due February 1, 2024

Trigger Performance Leveraged Upside Securities℠

Principal at Risk Securities
Investment Summary

Performance Leveraged Upside Securities

The Trigger PLUS Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due February 1, 2024 (the "Trigger PLUS") can be used:

§ As an alternative to direct exposure to the underlying indices that enhances returns for a certain range of positive performance of the worst performing underlying index, subject to the maximum payment at maturity

§ To potentially outperform the worst performing of the S&P 500® Index and the Russell 2000® Index in a moderately bullish scenario by taking advantage of the leverage factor

§ To provide limited protection against loss of principal in the event of a decline of the underlying indices but only if the respective final index level of the **worst performing underlying index** is **greater than or equal to** the respective trigger level

Maturity:	Approximately 5 years
Leverage factor:	400% (applicable only if the final index value of each underlying index is greater than its respective initial index value)
Maximum payment at maturity:	At least $1,700 per Trigger PLUS (at least 170% of the stated principal amount). The actual maximum payment at maturity will be determined on the pricing date.
Trigger level:	With respect to the SPX Index, 60% of the initial index value. With respect to the RTY Index, 60% of the initial index value
Minimum payment at maturity:	None. You could lose your entire initial investment in the Trigger PLUS
Coupon:	None

The original issue price of each Trigger PLUS is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the Trigger PLUS, which are borne by you, and, consequently, the estimated value of the Trigger PLUS on the pricing date will be less than $1,000. We estimate that the value of each Trigger PLUS on the pricing date will be approximately $944.90, or within $30.00 of that estimate. Our estimate of the value of the Trigger PLUS as determined on the pricing date will be set forth in the final pricing supplement.

What goes into the estimated value on the pricing date?

In valuing the Trigger PLUS on the pricing date, we take into account that the Trigger PLUS comprise both a debt component and a performance-based component linked to the underlying indices. The estimated value of the Trigger PLUS is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying indices, instruments based on the underlying indices, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the Trigger PLUS?

In determining the economic terms of the Trigger PLUS, including the leverage factor, the trigger levels and the maximum payment at maturity, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the Trigger PLUS would be more favorable to you.

What is the relationship between the estimated value on the pricing date and the secondary market price of the Trigger PLUS?

The price at which MS & Co. purchases the Trigger PLUS in the secondary market, absent changes in market conditions, including those related to the underlying indices, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing,

selling, structuring and hedging the Trigger PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Trigger PLUS in the secondary market, absent changes in market conditions, including those related to the underlying indices, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the Trigger PLUS, and, if it once chooses to make a market, may cease doing so at any time.

Morgan Stanley Finance LLC
Trigger PLUS Based on the Value of Worst Performing of the S&P 500® Index and the Russell 2000® Index due February 1, 2024

Trigger Performance Leveraged Upside Securities℠

Principal at Risk Securities
Key Investment Rationale

The Trigger PLUS offer leveraged upside exposure to the worst performing of the S&P 500® Index and the Russell 2000® Index, subject to the maximum payment at maturity. In exchange for the leverage feature, investors are exposed to the risk of loss of a significant portion or all of their investment due to the trigger feature. At maturity, an investor will receive an amount in cash based upon the closing value of the worst performing underlying index on the valuation date. The Trigger PLUS are unsecured obligations of ours, and all payments on the Trigger PLUS are subject to our credit risk. **Investors may lose their entire initial investment in the Trigger PLUS.**

Leveraged Performance Up to a Cap	The Trigger PLUS offer investors an opportunity to receive 400% of the positive return of the worst performing of the underlying indices, subject to the maximum payment at maturity, if **both** underlying indices have appreciated in value.
Trigger Feature	At maturity, even if the worst performing underlying index has declined over the term of the Trigger PLUS, you will receive your stated principal amount but only if the final index value of the worst performing underlying index is **greater than or equal to** the respective trigger level.
Upside Scenario	**Both** underlying indices increase in value and, at maturity, the Trigger PLUS redeem for the stated principal amount of $1,000 plus 400% of the index percent change of the worst performing underlying index, subject to the maximum payment at maturity of at least $1,700 per Trigger PLUS (at least 170% of the stated principal amount). The actual maximum payment at maturity will be determined on the pricing date.
Par Scenario	The final index value of the worst performing index is less than or equal to the respective initial index value but is greater than or equal to the respective trigger level. In this case, you receive the stated principal amount of $1,000 at maturity even though the worst performing underlying index has depreciated.
Downside Scenario	**Either** underlying index declines in value such that, at maturity, the final index value of the worst performing index is less than the respective trigger level. In this case, the Trigger PLUS will redeem for at least 40% less than the stated principal amount, and this decrease will be by an amount proportionate to the full decline in value of the worst performing underlying index over the term of the Trigger PLUS.

Because the payment at maturity of the Trigger PLUS is based on the worst performing of the underlying indices, a decline in **either** underlying index below its respective trigger level will result in a significant loss of your investment, even if the other underlying index has appreciated or has not declined as much.

Morgan Stanley Finance LLC
Trigger PLUS Based on the Value of Worst Performing of the S&P 500® Index and the Russell 2000® Index due February 1, 2024

Trigger Performance Leveraged Upside Securities℠

Principal at Risk Securities
Hypothetical Examples

The following hypothetical examples illustrate how to calculate the payment at maturity on the Trigger PLUS. The following examples are for illustrative purposes only. The actual initial index value and trigger level for each underlying index will be determined on the pricing date. The payment at maturity on the Trigger PLUS is subject to our credit risk. The below examples are based on the following terms:

Stated principal amount:	$1,000 per PLUS
Leverage factor:	400%
Hypothetical maximum payment at maturity:	$1,700 per Trigger PLUS (170% of the stated principal amount)
Hypothetical trigger level:	With respect to the SPX Index, 1,200, 60% of the respective hypothetical initial index value With respect to the RTY Index, 600, 60% of the respective hypothetical initial index value
Hypothetical initial index value:	With respect to the SPX Index: 2,000 With respect to the RTY Index: 1,000

EXAMPLE 1: **Both underlying indices appreciate significantly and so investors receive only the maximum payment at maturity.**

Final index value		SPX Index: 3,800 RTY Index: 2,700
Index percent change		SPX Index: (3,800 – 2,000) / 2,000 = 90% RTY Index: (1,800 – 1,000) / 1,000 = 80%
Payment at maturity	=	$1,000 + leveraged upside payment, subject to the maximum payment at maturity
	=	$1,000 + ($1,000 × leverage factor × index percent change of the worst performing underlying index), subject to the maximum payment at maturity

= \$1,000 + (\$1,000 × 400% × 80%), subject to the maximum payment at maturity
= maximum payment at maturity of \$1,700 per Trigger PLUS

In example 1, the final index values of both the SPX Index and the RTY Index are significantly greater than their initial index values. The SPX Index has appreciated by 90%, while the RTY Index has appreciated by 80%. Therefore, investors receive at maturity the stated principal amount *plus* 400% of the appreciation of the worst performing underlying index, subject to the hypothetical maximum payment at maturity of \$1,700 per Trigger PLUS. Under the terms of the Trigger PLUS, investors will realize the hypothetical maximum payment at maturity at a final index value of the worst performing underlying index of 117.50% of its respective initial index value. Therefore, in this example, investors receive only the hypothetical maximum payment at maturity of \$1,700 per stated principal amount, even though both underlying indices have appreciated significantly.

EXAMPLE 2: **Both underlying indices appreciate over the term of the Trigger PLUS, and investors receive the stated principal amount *plus* the leveraged upside payment, calculated based on the index percent change of the worst performing underlying index.**

Final index value	SPX Index: 2,200
	RTY Index: 1,400

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Index percent change		SPX Index: (2,200 – 2,000) / 2,000 = 10% RTY Index: (1,400 – 1,000) / 1,000 = 40%
Payment at maturity	=	$1,000 + leveraged upside payment, subject to the maximum payment at maturity
	=	$1,000 + ($1,000 × leverage factor × index percent change of the worst performing underlying index), subject to the maximum payment at maturity
	=	$1,000 + ($1,000 × 400% × 10%), subject to the maximum payment at maturity
	=	$1,400

In example 2, the final index values of both the SPX Index and the RTY Index are greater than their initial index values. The SPX Index has appreciated by 10%, while the RTY Index has appreciated by 40%. Therefore, investors receive at maturity the stated principal amount *plus* 400% of the appreciation of the worst performing underlying index, which is the SPX Index in this example. Investors receive $1,400 per Trigger PLUS at maturity.

EXAMPLE 3: **One underlying index appreciates, while the other declines over the term of the Trigger PLUS but neither index declines below the respective trigger level, and investors receive the stated principal amount.**

Final index value		SPX Index: 2,600 RTY Index: 800
Index percent change		SPX Index: (2,600 – 2,000) / 2,000 = 30% RTY Index: (800 – 1,000) / 1,000 = -20%
Payment at maturity	=	$1,000

In example 3, the final index value of the SPX Index is greater than its initial index value, while the final index value of the RTY Index is less than its initial index value, but is greater than or equal to the respective trigger level. The SPX Index has appreciated by 30% while the RTY index has declined by 20%. Investors will receive the stated principal amount of $1,000.

EXAMPLE 4: **One underlying index appreciates while the other declines over the term of the Trigger PLUS, and the final index value of the worst performing underlying index is less than the respective trigger level. Investors are therefore exposed to the decline in the worst performing underlying index from its initial index value.**

Final index value	SPX Index: 2,600 RTY Index: 400
Index percent change	SPX Index: (2,600 – 2,000) / 2,000 = 30% RTY Index: (400 – 1,000) / 1,000 = -60%
Payment at maturity	= $1,000 × [index performance factor of the worst performing index]
	= $1,000 x [400 / 1,000]
	= $400

In example 4, the final index value of the SPX Index is greater than its initial index value, while the final index value of the RTY Index has declined below the trigger level. The SPX Index has appreciated by 30% while the RTY Index has depreciated by 60%. Because the final index value of the RTY Index has declined below the trigger level, investors are exposed to the negative performance of the RTY Index, which is the worst performing underlying index in this example. Investors receive a payment at maturity of $400.

EXAMPLE 5: **Both underlying indices decline below their respective trigger levels, and investors are therefore exposed to the decline in the worst performing underlying index from its initial index value.**

Final index value	SPX Index: 600 RTY Index: 400
Index percent change	SPX Index: (600 – 2,000) / 2,000 = -70% RTY Index: (400 – 1,000) / 1,000 = -60%
Payment at maturity	= $1,000 × [index performance factor of the worst performing index]
	= $1,000 × [600 / 2,000]
	= $300

In example 5, the final index values of both the SPX Index and the RTY Index are less than their respective trigger levels. The SPX Index has declined by 70% while the RTY Index has declined by 60%. Therefore, investors are exposed to the negative performance of the SPX Index, which is the worst performing underlying index in this example. Investors receive a payment at maturity of $300.

Because the payment at maturity of the Trigger PLUS is based on the worst performing of the underlying indices, a decline in either underlying index below its respective trigger level will result in a significant loss of your investment, even if the other underlying index has appreciated or has not declined as much.

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Principal at Risk Securities
Risk Factors

The following is a non-exhaustive list of certain key risk factors for investors in the Trigger PLUS. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying product supplement for PLUS, index supplement and prospectus. We also urge you to consult your investment, legal, tax, accounting and other advisers in connection with your investment in the Trigger PLUS.

§ **The Trigger PLUS do not pay interest or guarantee return of any principal.** The terms of the Trigger PLUS differ from those of ordinary debt securities in that the Trigger PLUS do not pay interest or guarantee payment of any principal at maturity. If the final index value of **either** underlying index is less than the respective trigger level (which is 60% of the respective initial index level), the payout at maturity will be an amount in cash that is at least 40% less than the $1,000 stated principal amount of each Trigger PLUS, and this decrease will be by an amount proportionate to the full decrease in the value of the worst performing underlying index over the term of the Trigger PLUS. There is no minimum payment at maturity on the Trigger PLUS, and you could lose your entire investment.

§ **The appreciation potential of the Trigger PLUS is limited by the maximum payment at maturity.** The appreciation potential of the Trigger PLUS is limited by the maximum payment at maturity of at least $1,700 per Trigger PLUS, or 170% of the stated principal amount. Although the leverage factor provides leveraged upside returns if the final index value of each underlying index is greater than its respective initial index value, because the payment at maturity will be limited to 170% of the stated principal amount for the Trigger PLUS (assuming a maximum payment at maturity of $1,700 per Trigger PLUS), any increase in the final index value of the worst performing underlying index over its initial index value by more than 17.50% of its initial index value will not further increase the return on the Trigger PLUS.

§ **You are exposed to the price risk of both underlying indices.** Your return on the Trigger PLUS it not linked to a basket consisting of both underlying indices. Rather, it will be based upon the independent performance of each underlying index. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to both underlying indices. Poor performance by either underlying index over the term of the Trigger PLUS will negatively affect your return and will not be offset or mitigated by any positive performance by the other underlying index. If either underlying index declines to below its respective trigger level as of the valuation date, you will be exposed to the negative performance of the worst performing underlying index at maturity, even if the other underlying index has appreciated or has not declined as much, and you will lose a significant portion or all of your investment. Accordingly, your investment is subject to the price risk of both underlying indices.

§ **Because the Trigger PLUS are linked to the performance of the worst performing underlying index, you are exposed to greater risk of sustaining a significant loss on your investment than if the Trigger PLUS were**

linked to just one underlying index. The risk that you will suffer a significant loss on your investment is greater if you invest in the Trigger PLUS as opposed to substantially similar securities that are linked to just the performance of one underlying index. With two underlying indices, it is more likely that either underlying index will decline to below its trigger level as of the valuation date, than if the Trigger PLUS were linked to only one underlying index. Therefore it is more likely that you will suffer a significant loss on your investment.

§ **The market price will be influenced by many unpredictable factors.** Several factors will influence the value of the Trigger PLUS in the secondary market and the price at which MS & Co. may be willing to purchase or sell the Trigger PLUS in the secondary market, including the value, volatility and dividend yield of the underlying indices, interest and yield rates, time remaining to maturity, geopolitical conditions and economic, financial, political and regulatory or judicial events and any actual or anticipated changes in our credit ratings or credit spreads. Generally, the longer the time remaining to maturity, the more the market price of the Trigger PLUS will be affected by the other factors described above. The levels of the underlying indices may be, and have recently been, extremely volatile, and we can give you no assurance that the volatility will lessen. See "S&P 500® Index Overview" and "Russell 2000® Index Overview" below. You may receive less, and possibly significantly less, than the stated principal amount per Trigger PLUS if you try to sell your Trigger PLUS prior to maturity.

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Trigger PLUS Based on the Value of Worst Performing of the S&P 500® Index and the Russell 2000® Index due February 1, 2024

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Principal at Risk Securities

§ **The Trigger PLUS are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the Trigger PLUS.** You are dependent on our ability to pay all amounts due on the Trigger PLUS at maturity and therefore you are subject to our credit risk. If we default on our obligations under the Trigger PLUS, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the Trigger PLUS prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the Trigger PLUS.

§ **As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

§ **The Trigger PLUS are linked to the Russell 2000® Index and are subject to risks associated with small-capitalization companies.** As the Russell 2000® Index is one of the underlying indices, and the Russell 2000® Index consists of stocks issued by companies with relatively small market capitalization, the Trigger PLUS are linked to the value of small-capitalization companies. These companies often have greater stock price volatility, lower trading volume and less liquidity than large-capitalization companies and therefore the Russell 2000® Index may be more volatile than indices that consist of stocks issued by large-capitalization companies. Stock prices of small-capitalization companies are also more vulnerable than those of large-capitalization companies to adverse business and economic developments, and the stocks of small-capitalization companies may be thinly traded. In addition, small capitalization companies are typically less well-established and less stable financially than large-capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of personnel. Such companies tend to have smaller revenues, less diverse product lines, smaller shares of their product or service markets, fewer financial resources and less competitive strengths than large-capitalization companies and are more susceptible to adverse developments related to their products.

§ **The amount payable on the Trigger PLUS is not linked to the values of the underlying indices at any time other than the valuation date.** The final index value of each underlying index will be based on the index closing value of such index on the valuation date, subject to adjustment for non-index business days and certain market disruption events. Even if both underlying indices appreciate prior to the valuation date but the value of **either** underlying index drops by the valuation date to below its trigger level, the payment at maturity will be significantly less than it would have been had the payment at maturity been linked to the values of the underlying indices prior to such drop. Although the actual values of the underlying indices on the stated maturity date or at other times during

the term of the Trigger PLUS may be higher than their respective final index values, the payment at maturity will be based solely on the index closing values on the valuation date.

§ **Investing in the Trigger PLUS is not equivalent to investing in either underlying index.** Investing in the Trigger PLUS is not equivalent to investing in either underlying index or the component stocks of either underlying index. Investors in the Trigger PLUS will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute either underlying index.

§ **Adjustments to the underlying indices could adversely affect the value of the Trigger PLUS.** The publisher of either underlying index may add, delete or substitute the stocks constituting such underlying index or make other methodological changes that could change the value of such underlying index. The publisher of either underlying index may discontinue or suspend calculation or publication of such underlying index at any time. In these circumstances, the calculation agent will have the sole discretion to substitute a successor index that is comparable to the discontinued

underlying index and will be permitted to consider indices that are calculated and published by the calculation agent or any of its affiliates.

§ **The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Trigger PLUS in the original issue price reduce the economic terms of the Trigger PLUS, cause the estimated value of the Trigger PLUS to be less than the original issue price and will adversely affect secondary market prices.** Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Trigger PLUS in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the Trigger PLUS in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the Trigger PLUS less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the Trigger PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Trigger PLUS in the secondary market, absent changes in market conditions, including those related to the underlying indices, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

§ **The Trigger PLUS will not be listed on any securities exchange and secondary trading may be limited.** The Trigger PLUS will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Trigger PLUS. MS & Co. may, but is not obligated to, make a market in the Trigger PLUS. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Trigger PLUS easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the Trigger PLUS, the price at which you may be able to trade your Trigger PLUS is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were not to make a market in the Trigger PLUS, it is likely that there would be no secondary market for the Trigger PLUS. Accordingly, you should be willing to hold your Trigger PLUS to maturity.

§

The estimated value of the Trigger PLUS is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price. These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the Trigger PLUS than those generated by others, including other dealers in the market, if they attempted to value the Trigger PLUS. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your Trigger PLUS in the secondary market (if any exists) at any time. The value of your Trigger PLUS at any time after the date of this pricing supplement will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price will be influenced by many unpredictable factors” above.

§ **Hedging and trading activity by our affiliates could potentially adversely affect the value of the Trigger PLUS.** One or more of our affiliates and/or third-party dealers expect to carry out hedging activities related to the Trigger PLUS (and to other instruments linked to the underlying index or its component stocks), including trading in the stocks that constitute the underlying indices as well as in other instruments related to the underlying indices. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Trigger PLUS, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. MS & Co. and some of our other affiliates also trade the stocks that constitute the underlying indices and other financial instruments related to the underlying indices on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could potentially increase the initial

index value of an underlying index, and, therefore, could increase the trigger level for such underlying index, which is the level at or above which such underlying index must close on the valuation date so that investors do not suffer a significant loss on their initial investment in the Trigger PLUS (depending also on the performance of the other underlying index). Additionally, such hedging or trading activities during the term of the Trigger PLUS, including on the valuation date, could potentially affect whether the value of an underlying index on the valuation date is below the respective trigger level, and, therefore, whether an investor would receive significantly less than the stated principal amount of the Trigger PLUS at maturity (depending also on the performance of the other underlying index).

§ **The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the Trigger PLUS.** As calculation agent, MS & Co. will determine the initial index values, the trigger levels and the final index values, including whether either underlying index has decreased to below the respective trigger level, and will calculate the amount of cash, if any, you will receive at maturity. Moreover, certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the final index value in the event of a market disruption event or discontinuance of the underlying indices. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations, see "Description of PLUS—Postponement of Valuation Date(s)" and "—Calculation Agent and Calculations" and related definitions in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the Trigger PLUS on the pricing date.

§ **The U.S. federal income tax consequences of an investment in the Trigger PLUS are uncertain.** Please read the discussion under "Additional Information—Tax considerations" in this document and the discussion under "United States Federal Taxation" in the accompanying product supplement for PLUS (together, the "Tax Disclosure Sections") concerning the U.S. federal income tax consequences of an investment in the Trigger PLUS. If the Internal Revenue Service (the "IRS") were successful in asserting an alternative treatment, the timing and character of income on the Trigger PLUS might differ significantly from the tax treatment described in the Tax Disclosure Sections. For example, under one possible treatment, the IRS could seek to recharacterize the Trigger PLUS as debt instruments. In that event, U.S. Holders would be required to accrue into income original issue discount on the Trigger PLUS every year at a "comparable yield" determined at the time of issuance and recognize all income and gain in respect of the Trigger PLUS as ordinary income. Additionally, as discussed under "United States Federal Taxation—FATCA" in the accompanying product supplement for PLUS, the withholding rules commonly referred to as "FATCA" would apply to the Trigger PLUS if they were recharacterized as debt instruments. However, recently proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization) eliminate the withholding requirement on payments of gross proceeds of a taxable disposition. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the Trigger PLUS, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the Trigger PLUS, and the IRS or a court may not agree with the tax treatment described in the Tax Disclosure Sections.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the "constructive ownership" rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Trigger PLUS, possibly with retroactive effect. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Trigger PLUS, including

possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Morgan Stanley Finance LLC
Trigger PLUS Based on the Value of Worst Performing of the S&P 500® Index and the Russell 2000® Index due February 1, 2024

Trigger Performance Leveraged Upside Securities℠

Principal at Risk Securities
S&P 500® Index Overview

The S&P 500® Index, which is calculated, maintained and published by Standard & Poor's Financial Services LLC ("S&P"), consists of 500 component stocks selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500® Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943. For additional information about the S&P 500® Index, see the information set forth under "S&P 500® Index" in the accompanying index supplement.

Information as of market close on December 26, 2018:

Bloomberg Ticker Symbol:	SPX
Current Index Value:	2,467.70
52 Weeks Ago:	2,680.50
52 Week High (on 9/20/2018):	2,930.75
52 Week Low (on 12/24/2018):	2,351.10

The following graph sets forth the daily closing values of the SPX Index for the period from January 1, 2013 through December 26, 2018. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the SPX Index for each quarter in the same period. The closing value of the SPX Index on December 26, 2018 was 2,467.70. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The SPX Index has at times experienced periods of high volatility, and you should not take the historical values of the SPX Index as an indication of its future performance.

SPX Index Daily Closing Values
January 1, 2013 to December 26, 2018

Januay calling (706) 649-5220 or by writing Director of Investor Relations, Synovus Financial Corp., P.O. Box 120, Columbus, Georgia 31902 to request a separate copy of the annual report and proxy statement for the 2002 Annual Meeting and 31 for future meetings or you can contact your bank or broker to make a similar request; and . You can request delivery of a single copy of annual reports or proxy statements from your bank or broker if you share the same address as another Synovus shareholder and your bank or broker has determined to household proxy materials. The above Notice of Annual Meeting and Proxy Statement are sent by order of the Synovus Board of Directors. /s/James H. Blanchard JAMES H. BLANCHARD Chairman of the Board March 14, 2002 32 FINANCIAL APPENDIX

Consolidated Balance Sheets as of December 31, 2001 and 2000 .... F-2 Consolidated Statements of Income for the Years ended December 31, 2001, 2000, and 1999 ..... F-3 Consolidated Statements of Changes In Shareholders' Equity for the Years ended December 31, 2001, 2000, and 1999 .... F-4 Consolidated Statements of Cash Flows for the Years ended December 31, 2001, 2000, and 1999 .... F-5 Notes to Consolidated Financial Statements .... F-6 Report of Financial Responsibility .... F-23 Independent Auditors' Report .... F-24 Selected Financial Data .... F-25 Financial Review .... F-26 Summary of Quarterly Financial Data, Unaudited .... F-48 F-1 CONSOLIDATED BALANCE SHEETS (In thousands, except per share data) DECEMBER 31, ---------------------------------- 2001 2000 ------------ ---------- ASSETS Cash and due from banks, including $7,714 and $10,017 in 2001 and 2000, respectively, on deposit to meet Federal Reserve requirements .... $ 648,179 558,054 Interest earning deposits with banks .... 3,884 3,806 Federal funds sold and securities purchased under resale agreements .... 23,673 375,765 Mortgage loans held for sale .... 397,940 108,234 Investment securities available for sale (note 3) .... 2,088,287 1,807,039 Investment securities held to maturity (fair value of $275,233) (note 3) .... -- 270,889 Loans, net of unearned income (note 4) .... 12,417,917 10,751,887 Allowance for loan losses (note 4) .... (170,769) (147,867) ------------ ---------- Loans, net .... 12,247,148 10,604,020 ------------ ---------- Premises and equipment, net .... 572,618 526,988 Other assets (note 5) .... 676,218 653,297 ------------ ---------- Total assets .... $ 16,657,947 14,908,092 ============ ========== LIABILITIES AND SHAREHOLDERS' EQUITY Liabilities: Deposits: Non-interest bearing .... $ 1,984,523 1,726,817 Interest bearing (note 6) .... 10,161,675 9,434,893 ------------ ---------- Total deposits .... 12,146,198 11,161,710 Federal funds purchased and securities sold under repurchase agreements (note 7) .... 1,345,822 1,039,900 Long-term debt (note 7) .... 1,052,943 840,859 Other liabilities (note 15) .... 319,400 367,562 ------------ ---------- Total liabilities .... 14,864,363 13,410,031 ------------ ---------- Minority interest in consolidated subsidiaries .... 98,638 80,890 Shareholders' equity (notes 2, 3, 11, and 13): Common stock-- $1.00 par value. Authorized 600,000,000 shares; issued 294,849,028 in 2001 and 284,818,042 in 2000; outstanding 294,673,764 in 2001 and 284,642,778 in 2000 .... 294,849 284,818 Surplus .... 171,257 107,652 Treasury stock--175,264 shares .... (1,285) (1,285) Unamortized restricted stock .... (82) (381) Accumulated other comprehensive income .... 29,338 5,936 Retained earnings .... 1,200,869 1,020,431 ------------ ---------- Total shareholders' equity .... 1,694,946 1,417,171 ------------ ---------- Commitments and contingencies (note 10) Total liabilities and shareholders' equity .... $ 16,657,947 14,908,092 ============ ========== See accompanying notes to consolidated financial statements. F-2 CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, -- (In thousands, except per share data) 2001 2000 1999 ---------- --------- ------- Interest income: Loans, including fees .... $ 989,352 956,570 758,517 Investment securities: U.S. Treasury and U.S. Government agencies .... 69,316 83,528 81,140 Mortgage-backed securities .... 38,331 30,337 26,167 State and municipal .... 11,649 9,949 8,650 Other investments .... 3,415 3,426 2,907 Mortgage loans held for sale .... 14,216 8,095 7,659 Federal funds sold and securities purchased under resale agreements .... 4,397 5,736 2,879 Interest earning deposits with banks .... 212 164 88 ---------- --------- ------- Total interest income .... 1,130,888 1,097,805 888,007 ---------- --------- ------- Interest expense: Deposits (note 6) .... 404,661 420,173 323,752 Federal funds purchased and securities sold under repurchase agreements .... 42,643 78,445 39,427 Long-term debt (note 7) .... 53,793 36,855 11,534 ---------- --------- ------- Total interest expense .... 501,097 535,473 374,713 ---------- --------- ------- Net interest income .... 629,791 562,332 513,294 Provision for losses on loans (note 4) .... 51,673 44,341 34,007 ---------- --------- ------- Net interest income after provision for losses

on loans .... 578,118 517,991 479,287 ---------- --------- ------- Non-interest income: Data processing services .... 643,566 580,969 507,652 Service charges on deposit accounts .... 86,539 76,002 70,161 Fees for trust services .... 26,509 22,204 20,031 Brokerage revenue .... 16,363 16,063 14,076 Mortgage banking income .... 38,272 21,741 21,196 Credit card fees .... 21,184 19,129 15,123 Securities gains, net (note 3) .... 1,722 781 1,202 Other fee income .... 17,199 15,110 7,968 Other operating income (note 18) .... 86,343 81,514 82,356 ---------- --------- ------- Total non-interest income .... 937,697 833,513 739,765 ---------- --------- ------- Non-interest expense: Salaries and other personnel expense (notes 12 and 13) .... 566,084 495,477 457,741 Net occupancy and equipment expense (notes 5 and 10) .... 235,652 225,675 208,197 Other operating expenses (note 18) .... 204,227 202,122 190,611 ---------- --------- ------- Total non-interest expense .... 1,005,963 923,274 856,549 ---------- --------- ------- Minority interest in subsidiaries' net income .... 19,859 16,495 13,188 Income before income taxes .... 489,993 411,735 349,315 Income tax expense (note 15) .... 178,377 149,178 124,008 ---------- --------- ------- Net income .... $ 311,616 262,557 225,307 ========== ========= ======= Net income per share (notes 9 and 13): Basic .... $ 1.07 .93 .80 ========== ========= ======= Diluted .... 1.05 .92 .80 ========== ========= ======= Weighted average shares outstanding (notes 9 and 13): Basic .... 290,304 283,552 280,016 ========== ========= ======= Diluted .... 295,850 286,882 283,355 ========== ========= ======= See accompanying notes to consolidated financial statements. F-3 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (In thousands, except per share data) UNAMORTIZED SHARES COMMON TREASURY RESTRICTED YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999 ISSUED STOCK SURPLUS STOCK STOCK --- ------- -------- ------ -------- ---------- Balance at December 31, 1998 .... 278,807 $ 278,807 59,657 (5,099) (2,545) Net income .... -- -- -- -- -- Other comprehensive loss, net of tax (note 8): Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment .... -- -- -- -- -- Loss on foreign currency translation .... -- -- -- -- -- Other comprehensive loss .... -- -- -- -- -- Comprehensive income .... -- -- -- -- -- Issuance of common stock for acquisitions (note 2) .... 2,325 2,325 9,269 -- -- Issuance of treasury stock for purchase acquisition (note 2) .... -- -- -- 1,860 -- Cash dividends declared -- $.36 per share .... -- -- -- -- -- Cash dividends of pooled subsidiaries prior to acquisition ...... -- -- -- -- -- Amortization of restricted stock (note 13) .... -- -- -- -- 1,252 Stock options exercised (note 13) .... 1,150 1,150 5,620 -- -- Stock option tax benefit .... -- -- 7,390 -- -- Retirement of subsidiary's treasury stock upon acquisition ...... (93) (93) (1,861) 1,954 -- Ownership change at majority-owned subsidiary .... -- -- (985) -- -- Commitment of stock donation to charitable foundation .... -- -- 100 -- -- ------- -------- ------- ------ ------ BALANCE AT DECEMBER 31, 1999 .... 282,189 282,189 79,190 (1,285) (1,293) Net income .... -- -- -- -- -- Other comprehensive income, net of tax (note 8): Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment .... -- -- -- -- -- Loss on foreign currency translation .... -- -- -- -- -- Other comprehensive income .... -- -- -- -- -- Comprehensive income .... -- -- -- -- -- Issuance of common stock for acquisition (note 2) .... 1,415 1,415 16,934 -- -- Cash dividends declared - $.44 per share .... -- -- -- -- -- Amortization of restricted stock (note 13) .... -- -- -- -- 1,009 Stock options exercised (note 13) .... 1,209 1,209 8,806 -- -- Issuance of restricted stock .... 5 5 92 -- (97) Stock option tax benefit .... -- -- 3,594 -- -- Ownership change at majority-owned subsidiary .... -- -- (964) -- -- ------- -------- ------- ------ ------ BALANCE AT DECEMBER 31, 2000 .... 284,818 284,818 107,652 (1,285) (381) NET INCOME .... -- -- -- -- -- OTHER COMPREHENSIVE INCOME, NET OF TAX (NOTE 8): NET UNREALIZED GAIN ON CASH FLOW HEDGES .... -- -- -- -- -- CHANGE IN UNREALIZED GAINS/LOSSES ON INVESTMENT SECURITIES AVAILABLE FOR SALE, NET OF RECLASSIFICATION ADJUSTMENT .... -- -- -- -- -- LOSS ON FOREIGN CURRENCY

TRANSLATION .... -- -- -- -- -- OTHER COMPREHENSIVE INCOME .... -- -- -- -- -- COMPREHENSIVE INCOME .... -- -- -- -- -- ISSUANCE OF COMMON STOCK FOR ACQUISITIONS (NOTE 2) .... 7,666 7,666 26,588 -- -- CASH DIVIDENDS DECLARED - $.51 PER SHARE .... -- -- -- -- -- AMORTIZATION OF RESTRICTED STOCK (NOTE 13) .... -- -- -- -- 299 STOCK OPTIONS EXERCISED (NOTE 13) .... 2,365 2,365 20,923 -- -- STOCK OPTION TAX BENEFIT .... -- -- 16,363 -- -- OWNERSHIP CHANGE AT MAJORITY-OWNED SUBSIDIARY .... -- -- (269) -- -- ------- -------- ------- ----- ------ BALANCE AT DECEMBER 31, 2001 .... 294,849 $ 294,849 171,257 (1,285) (82) ======= ======== ======= ====== ====== (In thousands, except per share data) ACCUMULATED OTHER COMPREHENSIVE RETAINED YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999 INCOME (LOSS) EARNINGS TOTAL -- ------------- ---------- --------- Balance at December 31, 1998.. 10,475 770,622 1,111,917 Net income... -- 225,307 225,307 Other comprehensive loss, net of tax (note 8): Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment .... (39,913) -- (39,913) Loss on foreign currency translation .... (223) -- (223) -------- --------- Other comprehensive loss .... (40,136) -- (40,136) --------- Comprehensive income .... -- -- 185,171 --------- Issuance of common stock for acquisitions (note 2) .... (473) 6,335 17,456 Issuance of treasury stock for purchase acquisition (note 2) .... -- -- 1,860 Cash dividends declared -- $.36 per share .... -- (98,460) (98,460) Cash dividends of pooled subsidiaries prior to acquisition .... -- (5,774) (5,774) Amortization of restricted stock (note 13) .... -- -- 1,252 Stock options exercised (note 13) .... -- -- 6,770 Stock option tax benefit .... -- -- 7,390 Retirement of subsidiary's treasury stock upon acquisition .... -- -- -- Ownership change at majority-owned subsidiary .... -- (28) (1,013) Commitment of stock donation to charitable foundation .... -- -- 100 ------- ---------- --------- BALANCE AT DECEMBER 31, 1999 .... (30,134) 898,002 1,226,669 Net income .... -- 262,557 262,557 Other comprehensive income, net of tax (note 8): Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment .... 36,199 -- 36,199 Loss on foreign currency translation .... (129) -- (129) ------- --------- Other comprehensive income .... 36,070 -- 36,070 --------- Comprehensive income .... -- -- 298,627 --------- Issuance of common stock for acquisition (note 2) .... -- (15,246) 3,103 Cash dividends declared - $.44 per share .... -- (124,882) (124,882) Amortization of restricted stock (note 13) .... -- -- 1,009 Stock options exercised (note 13) .... -- -- 10,015 Issuance of restricted stock .... -- -- -- Stock option tax benefit .... -- -- 3,594 Ownership change at majority-owned subsidiary .... -- -- (964) ------- ---------- --------- BALANCE AT DECEMBER 31, 2000 .... 5,936 1,020,431 1,417,171 Net income .... -- 311,616 311,616 Other comprehensive income, net of tax (note 8): Net unrealized gain on cash flow hedges .... 6,081 -- 6,081 Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment .... 18,341 -- 18,341 Loss on foreign currency translation .... (1,488) -- (1,488) ------- --------- Other comprehensive income .... 22,934 -- 22,934 --------- Comprehensive income .... -- -- 334,550 --------- Issuance of common stock for acquisitions (note 2) .... 468 17,371 52,093 Cash dividends declared - $.51 per share .... -- (148,549) (148,549) Amortization of restricted stock (note 13) .... -- -- 299 Stock options exercised (note 13) .... -- -- 23,288 Stock option tax benefit .... -- -- 16,363 Ownership change at majority-owned subsidiary .... -- -- (269) ------- ---------- --------- BALANCE AT DECEMBER 31, 2001 .... 29,338 1,200,869 1,694,946 ======= ========== ========= See accompanying notes to consolidated financial statements. F-4 CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands) YEARS ENDED DECEMBER 31, -- 2001 2000 1999 ----------- ---------- ---------- OPERATING ACTIVITIES Net income .... $ 311,616 262,557 225,307 Adjustments to reconcile net income to net cash provided by operating activities: Provision

for losses on loans .... 51,673 44,341 34,007 Depreciation, amortization, and accretion, net .... 87,200 80,502 72,475 Deferred income tax expense (benefit) .... 11,342 (4,459) 144 Decrease (increase) in interest receivable .... 25,914 (30,544) (7,449) (Decrease) increase in interest payable .... (23,448) 25,106 9,204 Minority interest in subsidiaries' net income .... 19,859 16,495 13,188 (Increase) decrease in mortgage loans held for sale .... (289,706) (25,089) 73,086 Other, net .... (16,590) 85,416 33,334 ------------ ---------- ---------- Net cash provided by operating activities .... 177,860 454,325 453,296 ------------ ---------- ---------- INVESTING ACTIVITIES Cash acquired from acquisitions .... 17,906 2,877 7,639 Net increase in interest earning deposits with banks .... (65) (1,878) (339) Net decrease (increase) in federal funds sold and securities purchased under resale agreements .... 375,542 (283,672) (11,477) Proceeds from maturities and principal collections of investment securities available for sale .... 896,836 198,078 453,143 Proceeds from sales of investment securities available for sale .... 212,395 33,553 48,472 Purchases of investment securities available for sale .... (1,017,514) (262,299) (695,526) Proceeds from maturities and principal collections of investment securities held to maturity .... -- 37,591 63,875 Purchases of investment securities held to maturity .... -- (31,126) (32,781) Net increase in loans .... (1,326,774) (1,762,348) (1,416,486) Purchases of premises and equipment .... (146,663) (170,559) (124,462) Proceeds from disposals of premises and equipment .... 14,194 4,081 8,315 Net cash paid on sale of branches .... (11,037) (96,135) (55,641) Proceeds from sales of other real estate .... 15,930 10,136 8,520 Additions to contract acquisition costs .... (27,194) (41,713) (15,812) Refund of contract acquisition costs .... -- 10,000 -- Additions to computer software .... (55,038) (72,685) (54,189) ------------ ---------- ---------- Net cash used in investing activities .... (1,051,482) (2,426,099) (1,816,749) ------------ ---------- ---------- FINANCING ACTIVITIES Net increase in demand and savings deposits .... 734,795 918,781 174,703 Net (decrease) increase in certificates of deposit .... (131,891) 955,153 432,420 Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements .... 293,948 (221,575) 758,104 Principal repayments on long-term debt .... (3,006) (3,778) (2,030) Proceeds from issuance of long-term debt .... 185,438 525,786 186,849 Purchases of treasury stock by majority-owned subsidiary .... -- (2,077) (1,291) Dividends paid to shareholders .... (142,083) (119,012) (98,837) Proceeds from issuance of common stock .... 26,546 10,007 6,702 ------------ ---------- ---------- Net cash provided by financing activities .... 963,747 2,063,285 1,456,620 ------------ ---------- ---------- Increase in cash and cash equivalents .... 90,125 91,511 93,167 Cash and cash equivalents at beginning of period .... 558,054 466,543 373,376 ------------ ---------- ---------- Cash and cash equivalents at end of period .... $ 648,179 558,054 466,543 ============ ========== ========== See accompanying notes to consolidated financial statements. F-5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BUSINESS OPERATIONS The consolidated financial statements include the accounts of Synovus Financial Corp. (Parent Company) and its consolidated subsidiaries, all but one of which were wholly-owned at December 31, 2001. Synovus has 38 wholly-owned bank subsidiaries predominantly involved in retail and commercial banking activities. Other wholly-owned subsidiary business activities include trust, mortgage, insurance, brokerage, software solutions provider, and debt collection and bankruptcy management. Total System Services, Inc. (TSYS), an 80.8% owned subsidiary, provides bankcard data processing and related services to banks and other card-issuing institutions. In addition, the financial statements include joint ventures accounted for under the equity method. Synovus has two reportable segments: Financial Services and Transaction Processing Services. For the year ended December 31, 2001, revenues (defined as net interest income plus non-interest income) from the Financial Services segment represent 55.8% of the consolidated revenues, while the Transaction Processing Services segment represents the remaining 44.2% of consolidated revenues. The Financial Services' revenues are earned in four southeastern states: Georgia (61%), Alabama (18%), South Carolina (14%), and Florida (7%). Transaction Processing Services are provided to financial institutions and other organizations throughout the United States, Mexico, Canada, Honduras, the Caribbean, and Europe. TSYS also offers merchant services to financial institutions and other organizations in Japan. BASIS OF PRESENTATION In preparing the consolidated financial statements in accordance with accounting principles generally accepted in the

United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses; the valuation of 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 allowance for loan losses and the valuation of other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. The accounting and reporting policies of Synovus Financial Corp. and subsidiaries (Synovus) conform to accounting principles generally accepted in the United States of America and to general practices within the banking and bankcard data processing industries. All significant intercompany accounts and transactions have been eliminated in consolidation. The following is a description of the more significant of those policies. CASH FLOW INFORMATION For the years ended December 31, 2001, 2000, and 1999, income taxes of $186 million, $143 million, and $106 million, and interest of $525 million, $510 million, and $367 million, respectively, were paid. Loans receivable of approximately $15 million, $15 million, and $4 million were transferred to other real estate during 2001, 2000, and 1999, respectively. FEDERAL FUNDS SOLD, FEDERAL FUNDS PURCHASED, SECURITIES PURCHASED UNDER RESALE AGREEMENTS, AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS Federal funds sold, federal funds purchased, securities purchased under resale agreements, and securities sold under repurchase agreements generally mature in one day. MORTGAGE LOANS HELD FOR SALE Mortgage loans held for sale are carried at the lower of aggregate cost or fair value. Fair values are based upon quoted prices from secondary market investors and forward commitments to sell. No valuation allowances were recorded at December 31, 2001 or 2000. The cost of mortgage loans held for sale is the mortgage note amount plus certain net origination costs less fees collected. INVESTMENT SECURITIES In connection with the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" on January 1, 2001, Synovus reclassified its investment securities held to maturity portfolio to the available for sale category. In 2000, Synovus classified its securities into two categories: available for sale or held to maturity. Held to maturity securities were those securities for which Synovus had the ability and intent to hold until maturity. All other securities not included in held to maturity were classified as available for sale. Available for sale securities are recorded at fair value. Fair value is determined at a specific point in time, based on quoted market prices. Held to maturity securities were recorded at cost, adjusted for the amortization or accretion of premiums or discounts. 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, within accumulated other comprehensive income, until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. The unrealized gains or losses included in accumulated other comprehensive income 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 and the establishment of a new cost basis for the security. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield using the effective interest method and prepayment assumptions. Dividend and interest income are recognized when 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 is immaterial. LOANS AND INTEREST INCOME Loans are reported at principal amounts outstanding less unearned income, net deferred fees, and the allowance for loan losses. Interest income on consumer loans, made on a discount basis, is recognized in a manner which approximates the level yield F-6 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 collection of interest or principal, or when they become contractually in default for 90 days or more as to either interest or principal, unless they are both well-secured and in the process of collection. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest payments received on nonaccrual loans are applied as a reduction of principal. Loans are returned to accruing status when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual classification. ALLOWANCE FOR LOAN LOSSES The allowance for loan losses is established through provisions for loan losses charged to operations. Loans are charged against the allowance for loan losses when management believes that the collection of principal is unlikely. Subsequent recoveries are added to the allowance. Management's evaluation of the adequacy of the allowance for loan losses is based on a formal analysis which assesses the risk within the loan portfolio. This analysis includes consideration of historical performance, current economic conditions, level of nonperforming loans, loan concentrations, and review of certain individual loans. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the subsidiary banks' allowances for loan losses. Such agencies may require the subsidiary banks to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Management, considering current information and events regarding a borrower's ability to repay its obligations, considers a loan to be impaired when the ultimate collectibility of all principal and interest amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan 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 allowance for loan losses through a charge to the provision for losses on loans. Subsequent recoveries are added to the allowance for loan losses. The accounting for impaired loans described above applies to all loans, except for large pools of smaller-balance, homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, and debt securities. The allowance 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. PREMISES AND EQUIPMENT Premises and equipment, including leasehold improvements and purchased internal-use software, are reported at cost, less accumulated depreciation and amortization, which are computed using straight-line or accelerated methods over the estimated useful lives of the related assets. OTHER ASSETS The following paragraphs describe some of the more significant amounts included in other assets. Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the assets described below is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered impaired, the amount of impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Intangibles: Goodwill, which represents the excess of cost over the fair value of net assets acquired of purchased companies, is amortized using the straight-line method over periods of 5 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. Amortization periods for intangible assets are monitored to determine if events and circumstances require such periods to be reduced. Software Development Costs: TSYS develops software that is used in providing transaction processing services to clients. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when TSYS has completed all planning, designing, coding, and testing activities that are necessary to

determine that a product can be produced to meet its design specifications, including functions, features, and technical performance requirements. Capitalization of costs ceases when the product is available for general use. TSYS evaluates the unamortized capitalized costs of software development as compared to the net realizable value of the development which is determined by projected future cash flows. The amount by which the unamortized capitalized costs exceed the net realizable value are written off. Software development costs are amortized using the greater of (1) the straight-line method over the estimated useful life (which ranges from 3 - 10 years) or (2) the ratio of current revenues to current anticipated revenues. Investments in Company-Owned Life Insurance Programs: Premiums paid for company-owned life insurance programs are recorded at the net realizable value of the underlying insurance contracts. The change in contract value during the period is recorded as an adjustment of premiums paid in determining the F-7 expense or income to be recognized under the contract during the period. Income or expense from company-owned life insurance programs is included as a component of other operating income. Investment in Joint Ventures: TSYS' 49% investment in Total System Services de Mexico, S.A. de C.V. (TSYS de Mexico), a bankcard data processing operation located in Mexico, is accounted for using the equity method, as is TSYS' 50% investment in Vital Processing Services L.L.C. (Vital), a merchant processing operation headquartered in Tempe, Arizona. Contract Acquisition Costs: TSYS capitalizes contract acquisition costs related to signing or renewing long-term contracts. These costs, primarily consisting of cash payments for rights to provide processing services and internal conversion and software development costs, are amortized using the straight-line method over the contract term beginning when the client's cardholder accounts are converted to the system. All costs incurred prior to contract execution are expensed as incurred. The amortization of these costs is recognized in other expenses. 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. DERIVATIVE INSTRUMENTS In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment of SFAS 133". SFAS No. 133 and SFAS No. 138 standardize the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. Under the standards, entities are required to carry all derivative instruments on the balance sheet at fair value. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and if so, on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or foreign currencies. If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of change, together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of accumulated other comprehensive income (outside earnings), and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss are reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change. Synovus adopted SFAS No. 133 and SFAS No. 138 on January 1, 2001. As part of its overall interest rate risk management activities, Synovus utilizes interest rate related derivative instruments to manage its exposure to various types of interest rate risks. With the exception of commitments to fund and sell fixed-rate mortgage loans, all derivative instruments utilized by Synovus represent end user activities designed as either a hedge of a recognized fixed-rate asset or liability (a fair value hedge), or a hedge of a forecasted transaction or of the variability of future cash flows of a floating rate asset or liability (cash flow hedge). Synovus does not speculate using derivative instruments. Synovus' risk management policies emphasize the management of interest rate risk within acceptable guidelines. Synovus' objective in maintaining these policies is to achieve consistent growth in net interest income while limiting volatility arising from changes in interest rates. Risks to be managed include both fair value and cash flow risks. Utilization of derivative instruments provides a valuable tool to assist in the management of these risks. Synovus utilizes interest rate swap agreements to hedge the fair value risk of fixed-rate liabilities, primarily deposit liabilities. Fair value risk is measured as the volatility in the value of these liabilities as interest rates change.

Interest rate swaps entered into to manage this risk are designed to have the same notional value as well as similar interest rates and interest calculation methods. These agreements entitle Synovus to receive fixed-rate interest payments and pay floating-rate interest payments based on the notional amount of the swap agreements. Swap agreements structured in this manner allow Synovus to effectively hedge the fair value risks of these fixed-rate liabilities. Synovus is potentially exposed to cash flow risk due to its holding of loans whose interest payments are based on floating rate indices. Synovus monitors changes in these exposures and their impact on its risk management activities. These agreements, whose terms are for up to five years, entitle Synovus to receive fixed-rate interest payments and pay floating-rate interest payments. The maturity date of the last agreement is June 1, 2004. These agreements allow Synovus to offset the variability of floating rate loan interest with the variable interest payments due on the interest rate swaps. The effective portion of changes in the fair value of interest rate swaps designated as hedges of the variability of cash flows associated with floating rate loans are reported in accumulated other comprehensive income. These amounts are subsequently reclassified into interest income as the hedged cash flows affect earnings. The ineffective portion of the gain on hedging derivative instruments, which is reported in earnings, is not material. By using derivative instruments to hedge fair value and cash flow risks, Synovus exposes itself to potential credit risk. This potential credit risk is equal to the fair or replacement values of the swaps if the counterparty fails to perform on its obligations under the swap agreements. This credit risk is normally a very small percentage of the notional amount and fluctuates as interest rates change. Synovus minimizes this risk by subjecting the transaction to the same approval process as other credit activities, by dealing with highly rated counterparties, and by obtaining collateral agreements for exposures above predetermined limits. Synovus also holds derivative instruments which consist of commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans. Synovus' objective in obtaining the forward commitments is to mitigate the interest rate risk associated with the commitments to fund the fixed-rate mortgage loans. Both the rate-lock commitments and the forward commitments are reported at fair value, with adjustments being recorded in current period earnings, and are not accounted for as hedges. In accordance with the transition provisions of SFAS No. 133, Synovus recorded a net-of-tax cumulative-effect gain of $.8 million in accumulated other comprehensive income to recognize at fair F-8 value all derivative instruments that are designated as cash flow hedges. As of December 31, 2001, the net-of-tax fair value of these derivative instruments and the unamortized balance of deferred gains for terminated derivative instruments carried as a component of accumulated other comprehensive income was $6.1 million. Synovus expects to reclassify from accumulated other comprehensive income approximately $4.1 million as net-of-tax earnings during the next twelve months, as the related payments from interest rate swaps and amortization of deferred gains are recorded. During 2001, Synovus terminated certain cash flow hedges which resulted in a net pre-tax gain of $3.3 million. Such gain is included as a component of accumulated other comprehensive income and is being amortized over the shorter of the remaining contract life or the maturity of the designated asset as an adjustment to interest income. The remaining unamortized deferred gain balance at December 31, 2001 was $2.8 million. Upon adoption of SFAS No. 133, gains and losses on derivative instruments that were previously deferred as adjustments to the carrying amounts of hedged items were not adjusted. BANKCARD PROCESSING REVENUES TSYS' bankcard data processing revenues are derived from long-term processing contracts with banks and other institutions and are recognized as revenues at the time the service is performed. Bankcard data processing revenues are generated primarily from charges based on the number of accounts billed, transactions and authorizations processed, statements mailed, and other processing services for cardholder accounts on file. Most of these contracts have prescribed minimums. The terms of contracts generally range from three to ten years in length. INCOME TAXES Synovus uses the asset and liability method to account for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Synovus files a consolidated federal income tax return with its wholly-owned and majority-owned subsidiaries. STOCK-BASED COMPENSATION Synovus accounts for its fixed stock-based compensation in accordance with the provisions set forth in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. In accordance with APB Opinion No. 25, compensation expense is recorded on the grant date only to the extent that the current

market price of the underlying stock exceeds the exercise price on the grant date. The pro forma net income and earnings per share disclosures for employee stock-based grants made in 1995 and future years are determined based upon the fair-value-based method which is defined in SFAS No. 123, "Accounting for Stock-Based Compensation." POSTRETIREMENT BENEFITS Synovus sponsors a defined benefit health care plan for substantially all of its employees and early retirees. The expected costs of retiree health care and other postretirement benefits are being expensed over the period that employees provide service. FAIR VALUE OF FINANCIAL INSTRUMENTS Fair value estimates are made at a specific point in time, based on relevant market information and other information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale, at one time, the entire holdings of a particular financial instrument. Because no market exists for a portion of the financial instruments, fair value estimates are also based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing balance sheet financial instruments, without attempting to estimate the value of anticipated future business, and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include deferred income taxes, premises and equipment, capitalized contract acquisition costs, computer software, investments in joint ventures, 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. OTHER Certain amounts in 2000 and 1999 have been reclassified to conform with the presentation adopted in 2001. NOTE 2 BUSINESS COMBINATIONS On December 7, 2001, Synovus completed the acquisition of the $304 million asset FABP Bancshares, Inc. (FABP), of Pensacola, Florida, the parent company of First American Bank of Pensacola, N.A. Synovus issued 3,539,751 shares of its common stock for all the issued and outstanding shares of FABP. On February 28, 2001, Synovus completed the acquisition of Creative Financial Group, Ltd. (Creative Financial), based in Atlanta, Georgia, and its operating unit Robert Andrew Securities, Inc. At the acquisition date, Creative Financial had $546 million in assets under management. The companies operate as divisions of Synovus Financial Management Services, the integrated asset management unit of Synovus. Synovus issued 937,701 shares of its common stock for all the issued and outstanding shares of these two entities. On February 16, 2001, Synovus completed the acquisition of the $200 million asset Carolina Southern Bank of Spartanburg, South Carolina. Synovus issued 3,188,558 shares of its common stock, and merged the bank into its affiliate bank, The National Bank of South Carolina. On May 31, 2000, Synovus completed the acquisition of ProCard, Inc.(R) (ProCard), a provider of software and Internet tools designed to assist organizations with the management of purchasing, travel and fleet card programs. Synovus issued 1,415,053 shares of common stock for all of the outstanding capital stock of ProCard. On October 31, 1999, Synovus completed the acquisitions of Ready Bank of Fort Walton Beach Holding Company, Inc. with $65 million in assets, and Horizon Bancshares, Inc. with $60 million in assets. Synovus issued 1,946,416 shares of common stock for all the issued and outstanding shares of these two entities. The aforementioned acquisitions have been accounted for as poolings of interests, except that the financial information preceding F-9 the dates of acquisition have not been restated to include the financial condition and results of operations of these entities since the effect was not material. Net income for the years ended December 31, 2001, 2000 and 1999 would have been increased by $3.0 million, $8.0 million, and $8.4 million, respectively, if the prior periods had been restated for these acquisitions. On September 30, 1999, Synovus completed the acquisition of the $306 million asset Merit Holding Corporation. Merit Holding Corporation (Merit) was the parent company of Mountain National Bank in Tucker, Georgia, and Charter Bank & Trust Co. in Marietta, Georgia. Synovus issued 5,995,085 shares of common stock for all the issued and outstanding shares of Merit. On September 30, 1999, Synovus completed the acquisition of the debt collection and bankruptcy management business offered by Wallace & de Mayo (WDM), a firm based in Norcross, Georgia. Synovus issued 2,339,624 shares of common stock for all of the outstanding common stock of WDM. Effective September 30, 1999, WDM operates as TSYS Total Debt Management, Inc. (TDM), a wholly-owned subsidiary of Synovus. The aforementioned two acquisitions have been accounted for as poolings of interests. Accordingly, the financial statements for all prior periods presented have been restated to include the financial condition and results of operations of these two entities. On January 31, 1999, Synovus issued 333,163 shares of common stock to acquire the remaining 80% interest in Canterbury Trust Company, Inc., which provides trust, custody, investment and consulting services to large

institutional clients. The acquisition was accounted for as a purchase resulting in goodwill of $5.5 million, which is being amortized on a straight-line basis over fifteen years. On January 29, 1999, Merit acquired Source Capital Group I, Inc. (Source Capital Group), an Atlanta-based equipment leasing company, in exchange for 100,000 shares of Merit's common stock (equivalent of 125,330 Synovus shares), valued at approximately $2.2 million. Synovus issued an additional 45,488 shares of its common stock to the former Source Capital Group shareholders on October 1, 1999. These shares represented additional consideration under the terms of the purchase agreement. The acquisition has been accounted for as a purchase resulting in goodwill of $2.2 million, which is being amortized on a straight-line basis over fifteen years. NOTE 3 INVESTMENT SECURITIES The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities at December 31, 2001 and 2000 are summarized as follows: INVESTMENT SECURITIES AVAILABLE FOR SALE DECEMBER 31, 2001 --- GROSS GROSS ESTIMATED (In thousands) AMORTIZED UNREALIZED UNREALIZED FAIR COST GAINS LOSSES VALUE ----------- ---------- ----------- --------- U.S. Treasury and U.S. Government agencies........ $ 1,024,849 27,460 (1,108) 1,051,201 Mortgage-backed securities .... 725,441 12,254 (2,290) 735,405 State and municipal .... 236,742 6,525 (621) 242,646 Other investments .... 58,900 487 (352) 59,035 ----------- ------ ------ --------- Total .... $ 2,045,932 46,726 (4,371) 2,088,287 =========== ====== ====== ========= DECEMBER 31, 2000 --- GROSS GROSS ESTIMATED (In thousands) AMORTIZED UNREALIZED UNREALIZED FAIR COST GAINS LOSSES VALUE ----------- ---------- ----------- --------- U.S. Treasury and U.S. Government agencies........ $1,307,988 9,353 (3,048) 1,314,293 Mortgage-backed securities .... 433,036 5,197 (1,426) 436,807 State and municipal .... 35,146 408 (278) 35,276 Other investments .... 19,707 2,714 (1,758) 20,663 ----------- ------ ------ --------- Total.. $1,795,877 17,672 (6,510) 1,807,039 =========== ====== ====== ========= INVESTMENT SECURITIES HELD TO MATURITY DECEMBER 31, 2001 --- GROSS GROSS ESTIMATED (In thousands) AMORTIZED UNREALIZED UNREALIZED FAIR COST GAINS LOSSES VALUE ----------- ---------- ----------- --------- U.S. Treasury and U.S. Government agencies........ $ 11,717 49 (64) 11,702 Mortgage-backed securities .... 38,592 356 (73) 38,875 State and municipal .... 183,744 4,703 (374) 188,073 Other investments .... 36,836 -- (253) 36,583 ----------- ------ ------ --------- Total .... $ 270,889 5,108 (764) 275,233 =========== ====== ====== ========= F-10 The amortized cost and estimated fair value of investment securities at December 31, 2001 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. INVESTMENT SECURITIES AVAILABLE FOR SALE (In thousands) ------------------------------- AMORTIZED ESTIMATED COST FAIR VALUE ------------ ---------- U.S. Treasury and U.S. Government agencies: Within 1 year .... $ 106,486 108,416 1 to 5 years .... 617,517 633,978 5 to 10 years .... 281,419 289,383 More than 10 years .... 19,427 19,424 ------------ ---------- 1,024,849 1,051,201 ------------ ---------- State and municipal: Within 1 year .... 12,174 12,286 1 to 5 years .... 65,876 67,793 5 to 10 years .... 96,133 98,819 More than 10 years .... 62,559 63,748 ------------ ---------- 236,742 242,646 ------------ ---------- Other investments: Within 1 year .... 3,462 3,300 1 to 5 years .... 11,673 11,873 5 to 10 years .... 157 157 More than 10 years .... 43,608 43,705 ------------ ---------- 58,900 59,035 ------------ ---------- Mortgage-backed securities .... 725,441 735,405 ------------ ---------- Total investment securities: Within 1 year .... 122,122 124,002 1 to 5 years .... 695,066 713,644 5 to 10 years .... 377,709 388,359 More than 10 years .... 125,594 126,877 Mortgage-backed securities .... 725,441 735,405 ------------ ---------- $ 2,045,932 2,088,287 =========== ========= A summary of sales transactions in the investment securities available for sale portfolio for 2001, 2000, and 1999 is as follows: (In thousands) GROSS GROSS PROCEEDS REALIZED GAINS REALIZED LOSSES --------- ------------- -------------- 2001 ..... $ 212,395 4,293 (2,571) 2000 ..... 33,553 842 (61) 1999 ..... 48,472 1,252 (50) There were no sales transactions in the investment securities held to maturity portfolio during the two years ended December 31, 2000. In connection with the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, Synovus reclassified its investment securities held to maturity portfolio to the available for sale category on January 1, 2001. At December 31, 2001 and 2000, securities with a carrying value of $1.6 billion were pledged to secure certain deposits and repurchase agreements as required by law. NOTE 4 LOANS Loans

outstanding, by classification, are summarized as follows: DECEMBER 31 (In thousands) ------------------------------ 2001 2000 ------------ ---------- Commercial: Commercial, financial, and agricultural .... $ 4,004,042 3,747,047 Real estate-construction .... 2,665,877 2,411,489 Real estate-mortgage .... 3,138,748 2,336,234 ------------ ---------- Total commercial .... 9,808,667 8,494,770 ------------ ---------- Retail: Real estate-mortgage .... 1,553,154 1,184,437 Consumer loans - credit card .... 234,651 233,137 Consumer loans - other .... 843,169 855,933 ------------ ---------- Total retail .... 2,630,974 2,273,507 ------------ ---------- Total loans .... 12,439,641 10,768,277 ------------ ---------- Unearned income .... (21,724) (16,390) ------------ ---------- Total loans, net of unearned income .... $ 12,417,917 10,751,887 ============ ========== Activity in the allowance for loan losses is summarized as follows: DECEMBER 31 (In thousands) -- 2001 2000 1999 ----------- ------- ------- Balance at beginning of year .... $ 147,867 127,558 114,109 Allowance for loan losses of acquired subsidiaries .... 6,217 -- 2,928 Provision for losses on loans ..... 51,673 44,341 34,007 Recoveries of loans previously charged off .... 6,817 8,128 6,957 Loans charged off .... (41,805) (32,160) (30,443) ----------- ------- ------- Balance at end of year .... $ 170,769 147,867 127,558 =========== ======= ======= At December 31, 2001, the recorded investment in loans that were considered to be impaired was $62.4 million (of which $38.0 million were on a nonaccrual basis). Included in this amount is $44.7 million of impaired loans for which the related loan loss allowance is $16.6 million, and $17.7 million of impaired loans for which there is no related allowance determined in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." At December 31, 2000, the recorded investment in loans that were considered to be impaired was $46.8 million (of which $37.6 million were on a nonaccrual basis). Included in this amount is $43.9 million of impaired loans for which the related loan loss allowance is $13.9 million, and $2.9 million of impaired loans for which there is no related allowance determined in accordance with SFAS No. 114. The allowance for loan losses for impaired loans was primarily determined using the fair value of the loans' collateral. The average recorded investment in impaired loans was approximately $63.8 million, $43.6 million, and $26.5 million for the years ended December 31, 2001, 2000, and 1999, respectively, and the related amount of interest income recognized during the period that such loans were impaired was approximately $3.2 million, $2.4 million, and $1.5 million for the years ended December 31, 2001, 2000, and 1999, respectively. F-11 Loans on nonaccrual status amounted to approximately $51.2 million, $40.9 million, and $26.7 million at December 31, 2001, 2000, and 1999, respectively. If nonaccrual loans had been on a full accruing basis, interest income on these loans would have been increased by approximately $3.0 million, $2.2 million, and $2.6 million for the years ended December 31, 2001, 2000, and 1999, respectively. A substantial portion of the loans is secured by real estate in markets in which subsidiary banks are located throughout Georgia, Alabama, South Carolina, and Northwest Florida. Accordingly, the ultimate collectibility of a substantial portion of the loan portfolio, and the recovery of a substantial portion of the carrying amount of real estate owned, are susceptible to changes in market conditions in these areas. In the ordinary course of business, Synovus 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 activity in these loans for the year ended December 31, 2001. (In thousands) Balance at December 31, 2000 .... $ 118,055 Adjustment for executive officer and director changes .... 30,253 ----------- Adjusted balance at December 31, 2000 .... 148,308 New loans .... 283,146 Repayments .... (262,157) ----------- Balance at December 31, 2001 .... $ 169,297 =========== NOTE 5 OTHER ASSETS Included in other assets are the following significant balances: company-owned life insurance programs, TSYS' computer software costs, contract acquisition costs, and investments in joint ventures. At December 31, 2001 and 2000, Synovus maintained certain company-owned life insurance programs with a carrying value of approximately $125.8 million and $118.2 million, respectively. The following table summarizes TSYS' computer software at December 31, 2001 and 2000: (In thousands) 2001 2000 ------------ ------- Purchased computer software .... $ 199,021 177,629 TS(2) .... 33,049 33,049 Other capitalized software development costs .... 50,617 32,468 ----------- ------- 282,687 243,146 Less accumulated amortization .... (111,797) (97,692) ----------- ------- Computer software, net .... $ 170,890 145,454 ============ ======= Amortization expense related to purchased and capitalized software development costs at TSYS was $29.6 million, $25.7 million, and $21.6 million for the years ended December 31, 2001, 2000, and 1999, respectively. During 2001, TSYS ceased developing a

software project. The project was reevaluated to determine its utilization in a new customer service platform. TSYS expensed $1.2 million of costs of this project in employment and other operating expenses that were originally capitalized. During 2000, TSYS ceased development of two software projects. The projects were reevaluated to determine their utilization in a new design plan. Based on its review, TSYS expensed $6.1 million of costs as employment and other operating expenses that were originally capitalized on those projects. Capitalized contract acquisition costs at TSYS, net of accumulated amortization, were $87.1 million and $75.1 million at December 31, 2001 and 2000, respectively. Amortization expense related to contract acquisition costs was $6.6 million, $7.2 million, and $11.8 million, for the years ended December 31, 2001, 2000, and 1999, respectively. Investment in joint ventures consists of TSYS' 49% investment in Total System Services de Mexico, S.A. de CV (TSYS de Mexico) and TSYS' 50% investment in Vital Processing Services, L.L.C. (Vital). Both investments are accounted for using the equity method. Other assets include $51.6 million and $45.6 million in recorded balances related to these investments at December 31, 2001 and 2000, respectively. NOTE 6 INTEREST BEARING DEPOSITS A summary of interest bearing deposits at December 31, 2001 and 2000 is as follows: (In thousands) 2001 2000 ------------- --------- Interest bearing demand deposits .... $ 1,916,259 1,749,971 Money market accounts .... 2,641,879 2,148,051 Savings accounts .... 420,311 404,806 Time deposits under $100,000 .... 2,497,625 2,577,912 Time deposits of $100,000 or more .... 2,685,601 2,554,153 ------------- --------- Total interest bearing deposits .... $ 10,161,675 9,434,893 ============= ========= Interest expense on time deposits of $100,000 or more for the years ended December 31, 2001, 2000, and 1999 was $144.9 million, $138.1 million, and $82.7 million, respectively. The following table presents scheduled maturities of time deposits at December 31, 2001: Time Deposits with Maturities over 1 Year (In thousands) DECEMBER 31, 2001 ---------------- Maturing within one year .... $ 4,153,904 between 1 - 2 years .... 686,582 2 - 3 years .... 154,314 3 - 4 years .... 110,010 4 - 5 years .... 53,767 thereafter .... 24,649 ------------ $ 5,183,226 ============ F-12 NOTE 7 LONG-TERM DEBT AND SHORT-TERM BORROWINGS Long-term debt at December 31, 2001 and 2000 consists of the following: (In thousands) 2001 2000 ------------ -------- Parent Company: 7.25% senior notes, due December 15, 2005, with semi-annual interest payments and principal to be paid at maturity .... $ 200,000 200,000 6.125% senior notes, due October 15, 2003, with semi-annual interest payments and principal to be paid at maturity .... 75,000 75,000 8.75% debenture with minimum annual principal payments of $120 and $1,000 at maturity .... -- 1,240 ------------ -------- Total long-term debt - Parent Company .... 275,000 276,240 ------------ -------- Subsidiaries: Federal Home Loan Bank advances with interest and principal payments due at various maturity dates through 2011 and interest rates ranging from 1.87% to 8.37% at December 31, 2001 (weighted average interest rate is 4.54% at December 31, 2001) .... 777,675 564,285 Other notes payable and capital lease obligations payable with interest and principal payments due at various maturity dates through 2005 and interest rates ranging from 2.05% to 15.00% at December 31, 2001 .... 268 334 ------------ -------- Total long-term debt - subsidiaries .... 777,943 564,619 ------------ -------- Total long-term debt .... $ 1,052,943 840,859 ============ ======== The provisions of the loan and security agreements associated with some of the promissory notes place certain restrictions, within specified limits, on payments of cash dividends, issuance of additional debt, creation of liens upon property, disposition of common stock or assets, and investments in subsidiaries. As of December 31, 2001, Synovus and its subsidiaries were in compliance with the covenants of the loan and security agreements. The Federal Home Loan Bank advances are secured by certain mortgage loans receivable of approximately $1.15 billion, as well as investment securities of approximately $111.6 million at December 31, 2001. Synovus has an unsecured line of credit with an unaffiliated bank for $25 million with an interest rate of 45 basis points above the short-term index, as defined. The line of credit requires an annual commitment fee of .125% on the average daily available balance and draws can be made on demand (subject to compliance with certain restrictive covenants). There were no advances outstanding at December 31, 2001 and 2000. Required annual principal payments on long-term debt for the five years subsequent to December 31, 2001 are as follows: (In thousands) PARENT COMPANY SUBSIDIARIES TOTAL ------------- ----------- ------- 2002 ..... $ -- 57,860 57,860 2003 ..... 75,000 354,000 429,000 2004 ..... -- 133,755 133,755 2005 ..... 200,000 65,000 265,000 2006 ..... -- 78,000 78,000 The following table sets forth certain information regarding federal funds purchased and securities sold under repurchase agreements, the principal components of short-term borrowings. (In thousands) 2001 2000 ----------- --------- Balance at December 31,

.... $ 1,345,822 1,039,900 Weighted average interest rate at December 31, ... 1.67% 6.67 Maximum month end balance during the year .... $ 1,551,534 1,446,393 Average amount outstanding during the year .... $ 1,153,878 1,248,983 Weighted average interest rate during the year .... 3.70% 6.28 F-13 NOTE 8 OTHER COMPREHENSIVE INCOME (LOSS) The components of other comprehensive income (loss) for the years ended December 31, 2001, 2000, and 1999, are as follows: 2001 2000 1999 ------------------------------ ---------------------------- -------------------------- (In thousands) BEFORE- TAX NET OF BEFORE- TAX NET OF BEFORE- TAX NET OF TAX EXPENSE TAX TAX EXPENSE TAX TAX EXPENSE TAX AMOUNT OR BENEFIT AMOUNT AMOUNT OR BENEFIT AMOUNT AMOUNT OR BENEFIT AMOUNT -------- ---------- ------ ------- ---------- ------ ------- ---------- ------ Net unrealized gain on cash flow hedges .... $ 9,821 (3,740) 6,081 -- -- -- -- -- -- Net unrealized gains/losses on investment securities available for sale: Unrealized gains (losses) arising during the year ..... 31,331 (11,931) 19,400 59,237 (22,558) 36,679 (63,698) 24,524 (39,174) Reclassification adjustment for (gains) losses realized in net income .... (1,722) 663 (1,059) (781) 301 (480) (1,202) 463 (739) -------- ------- ------ ------ ------- ------ ------- ------ ------- Net unrealized gains (losses) .... 29,609 (11,268) 18,341 58,456 (22,257) 36,199 (64,900) 24,987 (39,913) Foreign currency translation adjustments .... (1,488) -- (1,488) (129) -- (129) (223) -- (223) -------- ------- ------ ------ ------- ------ ------- ------ ------- Other comprehensive income (loss) $ 37,942 (15,008) 22,934 58,327 (22,257) 36,070 (65,123) 24,987 (40,136) ======== ======= ====== ====== ======= ====== ======= ====== ======= Components of the before tax net unrealized gain on cash flow hedges for the year ended December 31, 2001 are as follows: On January 1, 2001, Synovus recorded a cumulative effect gain of $1.3 million to recognize hedges at fair value upon adoption of SFAS No. 133. Cash settlements were $2.2 million, all of which were released into earnings. Also during 2001, Synovus recorded cash settlements on terminated hedges of $3.3 million which were deferred and are being amortized into earnings over the shorter of the remaining contract life or the maturity of the designated asset as an adjustment to interest income. The corresponding amortization on these settlements was approximately $.5 million. Additionally, the change in unrealized gains on cash flow hedges was approximately $5.7 million. NOTE 9 EARNINGS PER SHARE The following table displays a reconciliation of the information used in calculating basic and diluted earnings per share (EPS) for the years ended December 31, 2001, 2000, and 1999. 2001 2000 1999 ---------------------------- --------------------------- ---------------------------- (In thousands, WEIGHTED NET WEIGHTED NET WEIGHTED NET except per share data) NET AVERAGE INCOME NET AVERAGE INCOME NET AVERAGE INCOME INCOME SHARES PER SHARE INCOME SHARES PER SHARE INCOME SHARES PER SHARE -------- -------- --------- -------- -------- --------- -------- -------- --------- BASIC EPS .... $311,616 290,304 $ 1.07 $262,557 283,552 $ .93 $225,307 280,016 $ .80 Effect of dilutive options .... 5,546 3,330 3,339 -------- ------- ------- DILUTED EPS .... $311,616 295,850 $ 1.05 $262,557 286,882 $ .92 $225,307 283,355 $ .80 ======== ======== ======= ======== ======= ======= ======== ======= ======= The following represents options to purchase shares of Synovus common stock that were outstanding during the periods noted below, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares. WEIGHTED AVERAGE QUARTER NUMBER EXERCISE PRICE ENDED OF SHARES PER SHARE ------- ---------- --------------- December 31, 2001 .... 4,675,645 $ 27.87 September 30, 2001 .... 2,500 $ 32.57 March 31, 2001 .... 3,444 $ 28.12 September 30, 2000 .... 5,891,850 $ 21.83 June 30, 2000 .... 7,478,050 $ 21.30 March 31, 2000 .... 10,530,800 $ 20.52 December 31, 1999 .... 6,260,596 $ 21.87 September 30, 1999 .... 6,383,651 $ 21.82 June 30, 1999 .... 3,666,048 $ 22.60 NOTE 10 DERIVATIVE INSTRUMENTS, COMMITMENTS AND CONTINGENCIES DERIVATIVE INSTRUMENTS As part of its overall interest rate risk management activities, Synovus utilizes derivative instruments to manage its exposure to various types of interest rate risks. These derivative instruments consist of commitments to sell fixed-rate mortgage loans, interest rate swaps, and purchased interest rate floors. The interest rate lock commitments made to prospective mortgage loan customers also represent derivative instruments since it is intended that such loans will be sold. At December 31, 2001, Synovus had commitments to fund fixed-rate mortgage loans to customers in the amount of $99.8 million. The fair value of these commitments was insignificant. At December 31, 2001, outstanding commitments to sell fixed- rate mortgage loans amounted to approximately $343.0 million. Such commitments are entered into to reduce the exposure to market risk arising from potential changes in interest rates, which could affect the fair value of mortgage loans held for sale and outstanding F-14 commitments to originate residential mortgage loans for resale. The

commitments to sell mortgage loans are at fixed prices and are scheduled to settle at specified dates that generally do not exceed 90 days. The fair value of outstanding commitments to sell mortgage loans at December 31, 2001 was $2.2 million. 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 contracts involves not only interest rate risk, but also the risk of counterparties' failure to fulfill their legal obligations. Notional principal amounts often are used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. The notional amount of interest rate swap and floor contracts was $265 million and $520 million as of December 31, 2001 and 2000, respectively, with a carrying amount of $9.3 million and $6.0 thousand at December 31, 2001 and 2000, respectively. The estimated net unrealized gain on these interest rate contracts was $3.6 million at December 31, 2000. These interest rate contracts are being utilized to hedge $165 million in prime rate floating loans and $100 million in fixed-rate deposits in Georgia and South Carolina. A summary of interest rate contracts and their terms at December 31, 2001 and 2000 is shown below. In accordance with the provisions of SFAS No. 133, the fair value (net unrealized gain) of these contracts has been recorded on the consolidated balance sheet beginning January 1, 2001. Prior to the adoption of SFAS No. 133 (2000 and prior years), the fair value of these instruments was considered off-balance sheet and not recorded on the financial statements. LOAN COMMITMENTS Synovus is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and commercial letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements. The 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. 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, 2001 include the following: (In thousands) Standby letters of credit .... $ 1,086,884 Undisbursed construction loans .... 818,872 Unused credit card lines .... 518,037 Other loan commitments .... 1,270,939 ---------- Total .... $ 3,694,732 ========== WEIGHTED WEIGHTED WEIGHTED WEIGHTED NET AVERAGE AVERAGE AVERAGE AVERAGE UNREALIZED (Dollars in thousands) NOTIONAL RECEIVE PAY RATE FLOOR MATURITY UNREALIZED UNREALIZED GAINS AMOUNT RATE (*) RATE IN MONTHS GAINS LOSSES (LOSSES) --------- -------- -------- -------- --------- ---------- ---------- ---------- DECEMBER 31, 2001 RECEIVE FIXED SWAPS: FAIR VALUE HEDGES (LIBOR) .... $ 100,000 6.55% 2.08% n/a 32 $ 2,600 (514) $ 2,086 CASH FLOW HEDGES (Prime) .... 165,000 8.66% 4.75% n/a 17 7,173 -- 7,173 --------- -------- ---- -------- TOTAL .... $ 265,000 7.87% 3.74% 23 9,773 (514) 9,259 ========= ======= ==== ======= DECEMBER 31, 2000 Receive fixed swaps - LIBOR .... $ 180,000 6.92% 6.55% n/a 20 $ 2,521 (132) 2,389 Receive fixed swaps - Prime .... 320,000 8.76% 9.50% n/a 26 1,645 (393) 1,252 --------- -------- ---- -------- Total receive fixed swaps .... 500,000 8.10% 8.44% 24 4,166 (525) 3,641 --------- -------- ---- -------- Purchased interest rate floors .... 20,000 n/a n/a 8.00% 2 -- (6) (6) --------- -------- ---- -------- Total .... $ 520,000 23 $ 4,166 (531) 3,635 ========= ======= ==== ======= (*) Variable pay rate based upon contract rates in effect at December 31, 2001 and 2000. F-15 Due to the short-term nature of the outstanding loan commitments, and the likelihood that when funded, these loans will be indexed to then current market rates, the off-balance sheet value closely approximates fair value. LEASE COMMITMENTS Synovus and its subsidiaries have entered into long-term operating leases for various branch locations, corporate facilities, data processing equipment, and furniture. Management expects that as these leases expire they will be renewed or replaced by other leases. At December 31, 2001, minimum rental commitments under all such noncancelable leases for the next five years are as follows: (In thousands) 2002 .... $ 106,699 2003 .... 80,577 2004 .... 49,989 2005 .... 30,993 2006 .... 20,779 Thereafter ..... 21,200 In 1997, TSYS entered into an operating lease agreement for its corporate campus. Under the agreement, which is guaranteed by Synovus, the lessor paid for the construction and development costs and has leased the facilities to TSYS for a term of three years which began in November 1999. The lease provides for substantial

residual value guarantees and includes purchase options at the original cost of the property. The amount of the residual value guarantees relative to the assets under this lease is approximately $81.4 million. The terms of this lease financing arrangement require, among other things, that TSYS maintain certain minimum financial ratios and provide certain information to the lessor. Rental expense on equipment and furniture, including cancelable leases, was $79.7 million, $82.3 million, and $55.3 million for the years ended December 31, 2001, 2000, and 1999, respectively. Rental expense on facilities was $16.1 million, $16.3 million, and $11.0 million for the years ended December 31, 2001, 2000, and 1999, respectively. CONTRACTUAL COMMITMENTS In the normal course of its business, TSYS maintains processing contracts with its clients. These processing contracts contain commitments, including but not limited to, minimum standards and time frames against which its performance is measured. In the event that TSYS does not meet its contractual commitments with its clients, TSYS may incur penalties and/or certain clients may have the right to terminate their contracts with TSYS. TSYS does not believe that it will fail to meet its contractual commitments to an extent that will result in a material adverse effect on its financial condition or results of operations. LEGAL PROCEEDINGS Synovus and its subsidiaries are subject to various legal proceedings and claims that 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 its consolidated financial position or results of operations. Currently, multiple lawsuits seeking class action treatment are pending against one of the Alabama banking subsidiaries that involve: (1) payment of service fees or interest rebates to automobile dealers in connection with the assignment of automobile credit sales contracts to that subsidiary; (2) the forced placement of insurance to protect that subsidiary's interest in collateral for which consumer credit customers have failed to obtain or maintain insurance; and (3) the receipt of commissions by that subsidiary in connection with the sale of credit life insurance to its consumer credit customers and the charging of an interest surcharge and a processing fee in connection with consumer loans made by that subsidiary. These lawsuits seek unspecified damages, including punitive damages. Synovus intends to vigorously contest these lawsuits and all other litigation to which Synovus and its subsidiaries are parties. Based upon information presently available, and in light of legal, equitable, and factual 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 11 REGULATORY REQUIREMENTS AND RESTRICTIONS The amount of dividends paid to the Parent Company from each of the subsidiary banks is limited by various banking regulatory agencies. The amount of cash dividends available from subsidiary banks for payment in 2002, in the aggregate, without prior approval from the banking regulatory agencies, is approximately $162.6 million. In prior years, certain Synovus banks have received permission and have paid cash dividends to the Parent Company in excess of these regulatory limitations. Synovus is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Synovus must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require Synovus on a consolidated basis, and the Parent Company and subsidiary banks individually, to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets as defined, and of Tier I capital to average assets, as defined. Management believes that as of December 31, 2001, Synovus meets all capital adequacy requirements to which it is subject. As of December 31, 2001, the most recent notification from the Federal Reserve Bank of Atlanta categorized all of the banking subsidiaries as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, Synovus and its subsidiaries must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table on the following page. Management is not aware of the existence of any conditions or events occurring subsequent to December 31, 2001 which would affect the well-capitalized classification. Actual capital amounts and ratios for Synovus are presented in the table on the following page on a consolidated basis and for each significant subsidiary, as defined. F-16 TO BE WELL CAPITALIZED FOR CAPITAL UNDER PROMPT CORRECTIVE (Dollars in thousands) ACTUAL ADEQUACY PURPOSES ACTION PROVISIONS ----------------------- --------------------

---------------------- 2001 2000 2001 2000 2001 2000 ---------- --------- --------- --------- ---------- ------- SYNOVUS FINANCIAL CORP. Tier I capital $1,730,753 1,455,576 588,459 504,814 n/a n/a Total risk-based capital 1,904,660 1,605,365 1,176,919 1,009,629 n/a n/a Tier I capital ratio 11.76% 11.54 4.00 4.00 n/a n/a Total risk-based capital ratio 12.95 12.73 8.00 8.00 n/a n/a Leverage ratio 10.86 10.24 4.00 4.00 n/a n/a COLUMBUS BANK AND TRUST COMPANY Tier I capital $ 712,788 602,918 140,210 125,556 210,315 188,334 Total risk-based capital 745,189 628,484 280,421 251,112 350,526 313,890 Tier I capital ratio 20.33% 19.21 4.00 4.00 6.00 6.00 Total risk-based capital ratio 21.26 20.02 8.00 8.00 10.00 10.00 Leverage ratio 23.35 20.77 4.00 4.00 5.00 5.00 THE NATIONAL BANK OF SOUTH CAROLINA Tier I capital $ 199,247 151,308 77,252 66,279 115,878 99,418 Total risk-based capital 223,394 172,036 154,504 132,558 193,130 165,697 Tier I capital ratio 10.32% 9.13 4.00 4.00 6.00 6.00 Total risk-based capital ratio 11.57 10.38 8.00 8.00 10.00 10.00 Leverage ratio 9.03 7.99 4.00 4.00 5.00 5.00 NOTE 12 EMPLOYMENT EXPENSES AND BENEFIT PLANS Synovus generally provides noncontributory, trusteed, money purchase, profit sharing and 401(k) plans, which cover all eligible employees. Annual discretionary contributions to these plans are set each year by the respective Boards of Directors of each subsidiary, but cannot exceed amounts allowable as a deduction for federal income tax purposes. Aggregate contributions to these money purchase, profit sharing, and 401(k) plans for the years ended December 31, 2001, 2000, and 1999 were $47.0 million, $40.1 million, and $46.5 million, respectively. Synovus has stock purchase plans for directors and employees whereby Synovus makes contributions equal to one-half of employee and director voluntary contributions. The funds are used to purchase outstanding shares of Synovus common stock. TSYS has established director and employee stock purchase plans, modeled after Synovus' plans, except that the funds are used to purchase outstanding shares of TSYS common stock. Synovus and TSYS contributed $8.2 million, $7.3 million, and $6.4 million, to these plans in 2001, 2000, and 1999, respectively. Synovus has entered into employment agreements with certain executive officers for past and future services which provide for current compensation in addition to salary in the form of deferred compensation payable at retirement or in the event of death, total disability, or termination of employment. The aggregate cost of these salary continuation plans and employment agreements is not material to the consolidated financial statements. Synovus provides certain medical benefits to qualified retirees through a postretirement medical benefits plan. The benefit expense and accrued benefit cost is not material to the consolidated financial statements. NOTE 13 STOCK-BASED COMPENSATION Synovus has various stock option plans under which the Compensation Committee of the Board of Directors has the authority to grant options to Synovus employees. At December 31, 2001, Synovus had 493,587 shares of its authorized but unissued common stock reserved for future grants under the stock option plans. The general terms of the existing stock option plans include vesting periods ranging from two to three years and exercise periods ranging from five to ten years. Such stock options are granted at exercise prices which equal the fair market value of a share of common stock on the grant date. During 1999, Synovus granted options to purchase 150 shares of stock to each employee for a total of 1,546,650 stock options. The exercise price per share is equal to the fair market value at the grant date of $19.19. The options are exercisable after the price of the stock has doubled or after three years, whichever comes first. Synovus has granted performance-accelerated stock options to certain key executives. The exercise price per share is equal to the fair market value at the date of grant. The options are exercisable in equal installments when the per share market price of Synovus common stock exceeds $40, $45, and $50. However, all options may be exercised after seven years from the grant date. Summary information regarding these performance-accelerated stock options for the years ended December 31, 2001, 2000, and 1999 is presented below: YEAR OPTIONS NUMBER OF EXERCISE PRICE GRANTED STOCK OPTIONS PER SHARE ------------ ------------- --------------- 1999 500,000 $19.06 2000 4,100,000 $17.69 - $18.06 2001 2,600,000 $28.99 Synovus applies APB Opinion No. 25 in accounting for its stock option plans. Accordingly, compensation expense for the option grants has not been recognized in the accompanying financial statements. F-17 A summary of the status of Synovus' stock option plans as of December 31, 2001, 2000, and 1999 and changes during the years then ended is presented below: 2001 2000 1999 ------------------------ ------------------------ ------------------------ WEIGHTED WEIGHTED WEIGHTED AVERAGE AVERAGE AVERAGE EXERCISE EXERCISE EXERCISE SHARES PRICE SHARES PRICE SHARES PRICE ---------- --------- ---------- --------- ---------- --------- Options outstanding at beginning of period .. 23,219,413 $ 16.87 19,440,950 $ 16.28 16,364,209 $ 12.84 Options granted .... 5,171,295 26.59 5,635,430 17.36 4,589,819 21.13 Options exercised .... (2,406,374) 9.99 (1,104,392) 6.77 (1,347,711) 5.02 Options cancelled .... (405,516) 19.72 (752,575) 20.28 (165,367) 17.27 ---------- --------- ---------- --------- ---------- --------- Options outstanding at end of period .... 25,578,818 $ 19.44 23,219,413 $

16.87 19,440,950 $ 16.28 ========= ======== ========= ======== ========= ======== Options exercisable at end of period .... 11,707,401 $ 14.57 10,649,279 $ 11.30 8,456,609 $ 8.72 ========= ======== ========= ======== ========= ======== The following is a summary of stock options outstanding at December 31, 2001: OPTIONS OUTSTANDING OPTIONS EXERCISABLE -- ---------------------------- NUMBER OF WEIGHTED AVERAGE WEIGHTED AVERAGE NUMBER OF WEIGHTED AVERAGE RANGE OF EXERCISE PRICES OPTIONS REMAINING YEARS EXERCISE PRICE OPTIONS EXERCISE PRICE ---------------------- --------- --------------- --------------- --------- --------------- $ 1.31 - $ 1.75 .... 51,311 6.1 years $ 1.67 51,311 $ 1.67 $ 2.63 - $ 3.14 .... 208,107 1.2 years $ 2.64 208,107 $ 2.64 $ 4.51 - $ 6.74 .... 2,179,582 1.2 years $ 5.98 2,179,582 $ 5.98 $ 8.74 - $13.28 .... 2,245,423 3.7 years $ 9.45 2,179,355 $ 9.43 $14.17 - $21.31 .... 13,202,192 6.3 years $ 17.94 5,371,422 $ 18.13 $22.00 - $32.57 .... 7,692,203 7.8 years $ 25.84 1,717,624 $ 22.54 The per share weighted average fair value of stock options granted during 2001, 2000, and 1999 was $8.56, $6.42, and $5.41, respectively. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2001, 2000, and 1999, respectively: risk-free interest rates of 4.6%, 6.4%, and 5.3%; expected volatility of 31%, 36%, and 36%; expected life of 5.7 years, 6.3 years, and 4.3 years; and dividend yield of 1.8%, 2.3%, and 1.7%. Had Synovus determined compensation expense based on the fair value at the grant date for its stock options granted during the years 1995 through 2001 under SFAS No. 123, net income would have been reduced to the pro forma amounts indicated below: (In thousands, except YEARS ENDED DECEMBER 31, per share data) -- 2001 2000 1999 --------- ------- ------- Net income As reported .... $ 311,616 262,557 225,307 Pro forma .... 295,032 251,012 213,662 Earnings per share-diluted: As reported .... 1.05 0.92 0.80 Pro forma .... 1.00 0.87 0.75 In addition to the stock options described above, non- transferable, restricted shares of Synovus common stock have been awarded to various key executives under key executive restricted stock bonus plans. The market value of the common stock at the date of issuance is included as a reduction of shareholders' equity in the consolidated balance sheet 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 Synovus restricted stock awards was approximately $.3 million, $1.0 million, and $1.3 million for the years ended December 31, 2001, 2000, and 1999, respectively. Summary information regarding outstanding restricted stock bonus plans at December 31, 2001 is presented in the table below. YEAR AWARDS MARKET VALUE VESTING GRANTED AT AWARD DATE PERIOD ----------- ------------ -------- 1997 ..... $ 246,000 5 years 2000 ..... 97,646 5 years NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS The table on the following page presents the carrying and estimated fair values of on-balance sheet financial instruments at December 31, 2001 and 2000. The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying and estimated fair values relating to derivative instruments and off-balance sheet financial instruments are summarized in Note 10. Cash and due from banks, interest earning deposits with banks, and federal funds sold are repriced on a short-term basis; as such, the carrying value closely approximates fair value. The fair value of mortgage loans held for sale with fixed rates of interest is based on quoted prices from secondary market investors and forward commitments to sell. The fair value of loans is estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type, such as commercial, mortgage, home equity, credit card, and other consumer loans. Fixed rate commercial loans are further segmented into certain collateral code groupings. Commercial and other consumer loans with adjustable interest rates are assumed to be at F-18 2001 2000 ---------------------------- --------------------------- (In thousands) CARRYING ESTIMATED CARRYING ESTIMATED VALUE FAIR VALUE VALUE FAIR VALUE ------------ ---------- ---------- ---------- Financial assets: Cash and due from banks .... $ 648,179 648,179 558,054 558,054 Interest earning deposits with banks .... 3,884 3,884 3,806 3,806 Federal funds sold and securities purchased under resale agreements .... 23,673 23,673 375,765 375,765 Mortgage loans held for sale .... 397,940 397,940 108,234 108,234 Investment securities available for sale .... 2,088,287 2,088,287 1,807,039 1,807,039 Investment securities held to maturity .... -- -- 270,889 275,233 Loans, net .... 12,247,148 12,404,806 10,604,020 10,592,117 Financial liabilities: Non-interest bearing deposits .... 1,984,523 1,984,523 1,726,817 1,726,817 Interest bearing deposits .... 10,161,675 10,224,724 9,434,893 9,432,433 Federal funds purchased and securities sold under repurchase agreements .... 1,345,822 1,345,822 1,039,900 1,039,900 Long-term debt .... 1,052,943 1,084,543 840,859 826,331 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 with fixed rates of interest, 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. In accordance with SFAS No. 107, "Disclosures About Fair Value of Financial Instruments", 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. Short-term debt that matures within ten days is 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. NOTE 15 INCOME TAXES For the years ended December 31, 2001, 2000, and 1999, income tax expense (benefit) consists of: (In thousands) 2001 2000 1999 --------- ------- ------- Current: Federal .... $ 159,427 144,514 117,038 State .... 7,608 9,123 6,826 --------- ------- ------- 167,035 153,637 123,864 --------- ------- ------- Deferred: Federal .... 9,551 (3,755) 122 State .... 1,791 (704) 22 --------- ------- ------- 11,342 (4,459) 144 --------- ------- ------- Total income tax expense ...... $ 178,377 149,178 124,008 ========= ======= ======= Income tax expense as shown in the consolidated statements of income differed from the amounts computed by applying the U.S. Federal income tax rate of 35% to pretax income as a result of the following: (Dollars in thousands) 2001 2000 1999 --------- ------- ------- Taxes at statutory federal income tax rate .... $ 171,498 144,107 122,260 Tax-exempt income .... (3,986) (3,638) (3,200) State income taxes, net of federal income tax benefit ...... 6,110 5,472 4,450 Minority interest .... 6,951 5,773 4,616 Other, net .... (2,196) (2,536) (4,118) --------- ------- ------- Total income tax expense .... $ 178,377 149,178 124,008 ========= ======= ======= Effective income tax rate .... 36.40% 36.23 35.50 ========= ======= ======= At December 31, 2001 and 2000, Synovus had state income tax credit carryforwards of $3.2 million and $3.8 million, respectively. The credits will begin to expire in the year 2008. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets become deductible, management believes that it is more likely than not that Synovus will realize the benefits of these deductible differences, net of existing valuation allowances, at December 31, 2001. The valuation allowance for deferred tax assets was $1.4 million at December 31, 2001 and 2000. For the year ended December 31, 2001, deferred tax assets increased by $4.3 million as a result of the acquisitions of Carolina Southern Bank, Creative Financial, Robert Andrew Securities, and FABP. As noted in Note 2, Synovus has accounted for these acquisitions as non-restated poolings; accordingly, the prior year deferred tax balances have not been restated. The tax effects of temporary differences that gave rise to significant portions of the deferred income tax assets and liabilities at December 31, 2001 and 2000, are presented in the following table. F-19 (In thousands) 2001 2000 ---------- ------- Deferred income tax assets: Provision for losses on loans .... $ 68,890 60,998 State tax credits .... 3,170 3,828 Other assets .... 11,138 13,491 ---------- ------- Total gross deferred income tax assets .... 83,198 78,317 Less valuation allowance .... (1,400) (1,400) ---------- ------- Total net deferred income tax assets .... 81,798 76,917 ---------- ------- Deferred income tax liabilities: Computer software development costs .... (24,726) (17,662) Differences in depreciation .... (32,051) (28,542) Net unrealized gain on investment securities available for sale .... (16,095) (4,242) Net unrealized gain on cash flow hedges .... (3,740) -- Ownership interest in partnership .... (4,877) (3,616) Other liabilities .... (7,461) (7,327) ---------- ------- Total gross deferred income tax liabilities .... (88,950) (61,389) ---------- ------- Net deferred income tax (liability) asset .... $ (7,152) 15,528 ========== ======= NOTE 16 OPERATING SEGMENTS Synovus has two reportable segments: Financial Services and Transaction Processing Services. The Financial Services segment is predominantly involved in commercial banking activities and also provides retail banking, trust, mortgage,

insurance, and brokerage services. The Transaction Processing Services segment consists primarily of operations at TSYS, which primarily provides card processing services to its clients, including debit, commercial, retail, stored value and consumer cards. The Transaction Processing Services segment also includes related services to banks and other card issuing institutions as well as TDM's debt, collection and bankruptcy management operations, and the software solutions for commercial card management programs offered by ProCard. The accounting policies of these segments are the same as those described in the summary of significant accounting policies. All inter-segment services provided are charged at the same rates as those charged to unaffiliated customers. Such services are included in the revenues and net income of the respective segments and are eliminated to arrive at consolidated totals. Segment information for the years ended December 31, 2001, 2000, and 1999 is presented below: FINANCIAL TRANSACTION PROCESSING (In thousands) YEAR SERVICES SERVICES (A) ELIMINATIONS CONSOLIDATED ---- ---------- -------------------- ----------- ----------- Total revenue (b) .... 2001 $ 874,307 705,233 (12,052) (c) 1,567,488 2000 761,736 647,122 (13,013) (c) 1,395,845 1999 693,726 568,613 (9,280) (c) 1,253,059 Net interest income .... 2001 627,315 2,476 -- 629,791 2000 557,531 4,801 -- 562,332 1999 511,464 1,830 -- 513,294 Income before taxes .... 2001 348,890 160,962 (19,859) (d) 489,993 2000 292,402 135,828 (16,495) (d) 411,735 1999 253,571 108,932 (13,188) (d) 349,315 Income tax expense .... 2001 123,498 54,879 -- 178,377 2000 101,964 47,214 -- 149,178 1999 88,251 35,757 -- 124,008 Net income .... 2001 225,392 106,083 (19,859) (d) 311,616 2000 190,438 88,614 (16,495) (d) 262,557 1999 165,320 73,175 (13,188) (d) 225,307 Total assets .... 2001 16,047,941 664,982 (54,976) (e) 16,657,947 2000 14,379,117 607,635 (78,660) (e) 14,908,092 1999 12,142,344 464,969 (60,312) (e) 12,547,001 (a) Includes equity in income of joint ventures which is included in other operating income. (b) Consists of net interest income and non-interest income. (c) Principally, data processing service revenues provided to the Financial Services segment. (d) Minority interest in TSYS and GP Network Corporation. (e) Primarily TSYS' cash deposits with the Financial Services segment. F-20 NOTE 17 CONDENSED FINANCIAL INFORMATION OF SYNOVUS FINANCIAL CORP. (PARENT COMPANY ONLY) DECEMBER 31, CONDENSED BALANCE SHEETS --------------------------------- (In thousands) 2001(*) 2000 ---------- --------- ASSETS Cash... $ 556 50 Investment in consolidated bank subsidiaries, at equity (including TSYS)....... 1,761,158 1,476,618 Investment in consolidated nonbank subsidiaries, at equity.................... 23,246 45,995 Notes receivable from subsidiaries... 139,338 156,187 Other assets... 98,935 52,105 ---------- --------- Total assets... $2,023,233 1,730,955 ========== ========= LIABILITIES AND SHAREHOLDERS' EQUITY Liabilities: Long-term debt.. $ 275,000 276,240 Other liabilities... 53,287 37,544 ---------- --------- Total liabilities.. 328,287 313,784 ---------- --------- Shareholders' equity: Common stock.. 294,849 284,818 Surplus... 171,257 107,652 Treasury stock.. (1,285) (1,285) Unamortized restricted stock.. (82) (381) Accumulated other comprehensive income.................................... 29,338 5,936 Retained earnings... 1,200,869 1,020,431 ---------- --------- Total shareholders' equity... 1,694,946 1,417,171 ---------- --------- Total liabilities and shareholders' equity............................ $2,023,233 1,730,955 ========== ========= (*) Effective January 1, 2001, Synovus Service Corp. (team services support) and Synovus Technologies, Inc. (information technology) were merged into Synovus Financial Corp. Parent Company. YEARS ENDED DECEMBER 31, CONDENSED STATEMENTS OF INCOME -- (In thousands) 2001(*) 2000 1999 -------- ------- ------- Income: Dividends received from bank subsidiaries (including TSYS)........ $169,157 141,849 153,689 Management fees.. 1,053 1,678 2,125 Interest income.. 10,288 1,281 3,301 Other income.. 70,328 3,630 10,066 -------- ------- ------- Total income.. 250,826 148,438 169,181 -------- ------- ------- Expenses: Interest expense.. 19,293 8,802 4,878 Other expenses.. 113,477 25,350 25,217 -------- ------- ------- Total expenses.. 132,770 34,152 30,095 -------- ------- ------- Income before income taxes and equity in undistributed income of subsidiaries..................... 118,056 114,286 139,086 Allocated income tax benefit.. (19,633) (11,036) (6,404) -------- ------- ------- Income before equity in undistributed income of subsidiaries...... 137,689 125,322 145,490 Equity in undistributed income of subsidiaries....................... 173,927 137,235 79,817 -------- ------- ------- Net

income.. $311,616 262,557 225,307 ======== ======= ======= (*) Effective January 1, 2001, Synovus Service Corp. (team services support) and Synovus Technologies, Inc. (information technology) were merged into Synovus Financial Corp. Parent Company. F-21 YEARS ENDED DECEMBER 31, CONDENSED STATEMENTS OF CASH FLOWS --- (In thousands) 2001(*) 2000 1999 --------- ------- ------- OPERATING ACTIVITIES Net income.. $ 311,616 262,557 225,307 Adjustments to reconcile net income to net cash provided by operating activities: Equity in undistributed income of subsidiaries..... (173,927) (137,235) (79,817) Net income of equity method investments............ (13,444) (14,084) (60) Depreciation, amortization, and accretion, net..... 15,082 736 1,705 Net increase (decrease) in other liabilities....... 9,552 3,557 2,270 Net (increase) decrease in other assets............ (25,978) 5,541 (4,233) Other, net.. 12,937 (2,765) (114) --------- ------- ------- Net cash provided by operating activities...... 135,838 118,307 145,058 --------- ------- ------- INVESTING ACTIVITIES Net investment in subsidiaries......................... (39,882) (70,858) (55,836) Net decrease (increase) in short-term notes receivable from subsidiaries......................... 21,381 (143,204) (2,280) --------- ------- ------- Net cash used in investing activities.......... (18,501) (214,062) (58,116) --------- ------- ------- FINANCING ACTIVITIES Dividends paid to shareholders......................... (142,083) (119,012) (93,923) Principal repayments on long-term debt................ (1,240) (240) (240) Proceeds from issuance of long-term debt.............. -- 200,000 -- Proceeds from issuance of common stock................ 26,546 10,007 6,702 --------- ------- ------- Net cash (used in) provided by financing activities......................... (116,777) 90,755 (87,461) --------- ------- ------- Increase (decrease) in cash............................... 506 (5,000) (519) Cash at beginning of period............................... 50 5,050 5,569 --------- ------- ------- Cash at end of period..................................... $ 556 50 5,050 ========= ======= ===== (*) Effective January 1, 2001, Synovus Service Corp. (team services support) and Synovus Technologies, Inc. (information technology) were merged into Synovus Financial Corp. Parent Company. For the years ended December 31, 2001, 2000, and 1999, the Parent Company paid income taxes of $166 million, $136 million, and $103 million, respectively, and interest in the amount of $19 million, $9 million, and $5 million, respectively, each year. NOTE 18 SUPPLEMENTAL FINANCIAL DATA Components of other operating income and expenses in excess of 1% of total revenues for any of the respective years are as follows: YEARS ENDED DECEMBER 31, (In thousands) -- 2001 2000 1999 ------- ------ ------ Income: Third-party services on credit cards and other consumer loans...... $41,732 36,280 37,698 Expenses: Stationery, printing, and supplies................................ 35,388 33,062 33,700 Third-party processing services................................... 26,691 21,557 20,018 F-22 SYNOVUS FINANCIAL CORP. REPORT OF FINANCIAL RESPONSIBILITY The management of Synovus Financial Corp. (Synovus) is responsible for the integrity and objectivity of the consolidated financial statements and other financial information presented in this report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. Synovus maintains internal accounting control policies and related procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of reliable published annual and interim financial statements and other financial information. The design, monitoring and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal auditing function which evaluates and reports on the adequacy and effectiveness of internal accounting controls and policies and procedures. KPMG, LLP independent auditors are engaged to audit the Company's consolidated financial statements. The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with Synovus management, internal auditors and independent auditors to review matters relating to the quality of financial reporting and internal accounting controls. Both the internal auditors and the independent auditors have unrestricted access to the Committee. /s/ James H. Blanchard -- James H. Blanchard Chairman of the Board and Chief Executive Officer /s/ Thomas J. Prescott -- Thomas J. Prescott Executive Vice President and Chief Financial Officer January 16, 2002 F-23 [KPMG LOGO] 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 balance sheets of Synovus Financial Corp. and subsidiaries (Synovus) as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period

ended December 31, 2001. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. As discussed in Note 1 to the consolidated financial statements, Synovus changed its method of accounting for derivative instruments and hedging activities in 2001. /s/ KPMG LLP -------------------------- January 16, 2002 F-24 SELECTED FINANCIAL DATA YEARS ENDED DECEMBER 31, (Amounts in thousands, except per share data) -- 2001 2000 1999 1998 1997 ----------- --------- --------- --------- ------- INCOME STATEMENT: Total revenues(a) $ 1,565,766 1,395,064 1,251,857 1,035,979 927,398 Net interest income 629,791 562,332 513,294 455,065 425,920 Provision for losses on loans 51,673 44,341 34,007 26,882 32,485 Non-interest income 937,697 833,513 739,765 582,213 501,412 Non-interest expense 1,005,963 923,274 856,549 695,812 618,691 Net income 311,616 262,557 225,307 196,465 170,829 PER SHARE DATA: Net income - basic 1.07 0.93 0.80 0.72 0.63 Net income - diluted 1.05 0.92 0.80 0.71 0.63 Cash dividends declared 0.51 0.44 0.36 0.29 0.24 Book value 5.75 4.98 4.35 3.99 3.50 BALANCE SHEET: Investment securities 2,088,287 2,077,928 1,993,957 1,877,473 1,702,681 Loans, net of unearned income 12,417,917 10,751,887 9,068,239 7,603,605 6,752,154 Deposits 12,146,198 11,161,710 9,440,087 8,797,412 7,928,211 Long-term debt 1,052,943 840,859 318,620 131,802 131,492 Shareholders' equity 1,694,946 1,417,171 1,226,669 1,111,917 937,222 Average total shareholders' equity 1,548,030 1,303,634 1,165,426 1,013,334 865,232 Average total assets 15,375,004 13,466,385 11,438,696 9,827,925 9,067,237 PERFORMANCE RATIOS AND OTHER DATA: Return on average assets 2.03% 1.95 1.97 2.00 1.88 Return on average equity 20.13 20.14 19.33 19.39 19.74 Net interest margin 4.65 4.70 5.07 5.23 5.28 Efficiency ratio(b) 53.80 55.35 58.15 58.01 56.45 Dividend payout ratio(c) 47.67 47.56 43.70 39.55 36.85 Average shareholders' equity to average assets 10.07 9.68 10.19 10.31 9.54 Average shares outstanding, basic 290,304 283,552 280,016 272,416 269,285 Average shares outstanding, diluted 295,850 286,882 283,355 277,223 273,152 (a) Consists of net interest income and non-interest income, excluding securities gains (losses). (b) For the Financial Services segment. (c) Determined by dividing dividends declared (excluding pooled subsidiaries) by consolidated net income. F-25 FINANCIAL REVIEW INTRODUCTION To better understand financial trends and performance, Synovus analyzes certain financial data in two separate components: Financial Services and Transaction Processing Services. Financial Services represents 55.8% of consolidated revenues and 72.3% of net income for 2001; 54.5% of consolidated revenues and 72.5% of net income for 2000; and 55.3% of consolidated revenues and 73.4% of net income for 1999. Transaction Processing Services are provided by majority-owned Total System Services, Inc. (TSYS), wholly-owned TSYS Total Debt Management, Inc. (TDM) and wholly-owned ProCard, Inc. (ProCard). TSYS provides bankcard data processing and related services to banks and other institutions, generally under long-term processing contracts. TDM is a debt collection and bankruptcy management business. ProCard is a provider of software and Internet tools to assist organizations with the management of purchasing, travel and fleet card programs. TSYS represented 92.2% and 97.1% of 2001's total transaction processing revenues and net income, respectively. 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 as well as the selected financial data. CRITICAL ACCOUNTING POLICIES The accounting and financial reporting policies of Synovus conform to accounting principles generally accepted in the United States of America and to general practices within the banking and bankcard data processing industries. Following is a description of the accounting policies applied by Synovus which are deemed "critical". Critical accounting policies are defined as policies which are very important to the portrayal of Synovus' financial condition and results of operations, and that require management's most difficult, subjective, or complex judgments. Synovus' financial results could differ significantly if different judgments or

estimates are applied in the application of these policies. Allowance for Loan Losses: The allowance for loan losses is established through provisions for loan losses charged to operations. Loans are charged against the allowance for loan losses when management believes that the collection of principal is unlikely. Subsequent recoveries are added to the allowance. Management's evaluation of the adequacy of the allowance for loan losses is based on a formal analysis which assesses the risk within the loan portfolio. This analysis includes consideration of historical performance, current economic conditions, level of nonperforming loans, loan concentrations, and review of certain individual loans. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the subsidiary banks' allowances for loan losses. Such agencies may require the subsidiary banks to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Management, considering current information and events regarding a borrowers' ability to repay its obligations, considers a loan to be impaired when the ultimate collectibility of all amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. If the loan is collateral-dependent, the fair value of the collateral is used to determine the amount of impairment. Impairment losses are included in the allowance for loan losses through a charge to the provision for losses on loans. Subsequent recoveries are added to the allowance for loan losses. Cash receipts for accruing loans are applied to principal and interest under the contractual terms of the loan agreement. Cash receipts on impaired loans for which the accrual of interest has been discontinued are applied first to principal and then to interest income. The accounting for impaired loans described above applies to all loans, except for large pools of smaller-balance, homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, and debt securities. The allowance 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. Certain economic and interest rate factors could have a material impact on the determination of the allowance for loan losses. The depth, duration, and dispersion of any economic recession all have an impact on the credit risk profile of the loan portfolio. Additionally, a rapidly rising interest rate environment which may cause rates to reach double digits could as well have a material impact on certain borrowers' ability to pay. Our current assumptions are that an economic recovery will occur during the second half of 2002 and that the depth of the recession will have already peaked prior to the last half of 2002. Additionally, we are assuming that the dispersion of the recession will have primarily had its greatest impact on the industrial production, travel, and entertainment industries. With respect to the interest rate environment, Synovus currently anticipates that interest rates will be increasing slightly by the end of 2002. In the event of a dramatic downturn in this recession, in which there is a wide dispersion in all sectors of our economy, and/or a significant rapid rise in interest rates to double-digit levels creating higher borrowing costs and tightening corporate profits, Synovus' credit costs could increase significantly. Another factor that we have considered in the determination of the allowance for loan losses is loan concentrations to individual borrowers or industries. At December 31, 2001, Synovus had 23 individual credit relationships that exceeded $25.0 million with none exceeding $150 million. A significant portion of the loan portfolio is in the commercial real estate sector. However, as further discussed in the section entitled "Loans" in this Financial Review, these loans are diversified by geography, industry, and loan type. Synovus is closely monitoring certain portions of its loan portfolio that we believe have a higher credit risk profile under the current environment based solely upon their industry classification. These credits (grouped by industry) and the approximate aggregate amounts outstanding at December 31, 2001 are as follows: hotels and motels $485.0 million, restaurants $209.0 million, automobile dealers $160.0 million, golf courses $72.0 million, travel industry/air transportation $28.0 million, and insurance carriers $20 million. Based on current information, we have not identified any problem credits included in these categories which are not already classified as nonperforming or impaired loans. However, if the economic recovery takes longer than expected, the allowance for loan losses could be impacted by adverse developments in these credits. F-26 Refer to the section entitled "Provision and Allowance for Loan Losses" beginning on page F-36 for an additional discussion of the key assumptions and methods used in determining the allowance for loan losses, as well as the inherent risks in estimating the allowance. Contract Acquisition Costs: TSYS

capitalizes contract acquisition costs related to signing or renewing long-term contracts. These costs, primarily consisting of cash payments for rights to provide processing services and internal conversion and software development costs, are amortized using the straight-line method over the contract term beginning when the client's cardholder accounts are converted to the system. All costs incurred prior to contract execution are expensed as incurred. The amortization of these costs in other operating expenses is recognized in other expenses. TSYS evaluates the carrying value of contract acquisition costs for impairment on the basis of whether these costs are fully recoverable from expected undiscounted net operating cash flows of the related contract. The determination of expected undiscounted net operating cash flows requires management to make estimates. These costs may become impaired with the loss of a contract, the financial decline of a client, termination of conversion efforts after a contract is signed, diminished prospects for current clients, or if TSYS' estimates of future cash flows differ from actual results. Capitalized contract acquisition costs are classified as a component of other assets. Software Development Costs: TSYS develops software that is used in providing transaction processing services to clients. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when TSYS has completed all planning, designing, coding, and testing activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features, and technical performance requirements. Capitalization of costs ceases when the product is available to clients for general use. TSYS evaluates the unamortized capitalized costs of software development as compared to the net realizable value of the development which is determined by projected future cash flows. The amount by which the unamortized software development costs exceed the net realizable value are written off. Software development costs are amortized using the greater of (1) the straight-line method over the estimated useful life (which ranges from 3 - 10 years), or (2) the ratio of current revenues to current anticipated revenues. Software development costs may become impaired in situations where development efforts are abandoned due to the viability of the planned project becoming doubtful or due to technological obsolescence of the planned project. ACQUISITIONS Table 1 summarizes the acquisitions completed during the past three years. TABLE 1 ACQUISITIONS (Dollars in thousands) TOTAL SHARES ACCOUNTING COMPANY AND LOCATION DATE ASSETS ISSUED TREATMENT ------------------------------------- ---------------- -------- --------- ---------------------- FABP Bancshares, Inc .... December 1, 2001 $304,000 3,539,751 Pooling (Non-restated) Pensacola, Florida Creative Financial Group, Ltd .... February 28, 2001 $ 150 937,701 Pooling (Non-restated) Atlanta, Georgia Carolina Southern Bank .... February 16, 2001 $200,000 3,188,558 Pooling (Non-restated) Spartanburg, South Carolina ProCard, Inc. .... May 31, 2000 $ 5,300 1,415,053 Pooling (Non-restated) Golden, Colorado Ready Bank of Fort Walton Beach Holding Company, Inc. .... October 31, 1999 $ 65,000 902,785 Pooling (Non-restated) Ft. Walton Beach, Florida Horizon Bancshares, Inc .... October 31, 1999 $ 60,000 1,043,631 Pooling (Non-restated) Pensacola, Florida Wallace & de Mayo .... September 30, 1999 $ 7,000 2,339,624 Pooling Norcross, Georgia Merit Holding Corporation .... September 30, 1999 $306,000 5,995,085 Pooling Tucker, Georgia Canterbury Trust Company, Inc .... January 31, 1999 $ 7,400 333,163 Purchase Birmingham, Alabama This information is discussed in further detail in Note 2 of the consolidated financial statements. F-27 SUMMARY The Synovus family of companies had another successful year in 2001. Net income for 2001 was $311.6 million, an increase of 18.7% over 2000 net income of $262.6 million. Diluted net income per share increased to $1.05 in 2001, up 15.1% over $0.92 per share in 2000. Return on assets was 2.03% in 2001, compared to 1.95% in 2000. Return on equity was 20.13% in 2001, compared to 20.14% in 2000. Major contributors to the growth in net income include strong growth in loans and fee income. An improving net interest margin and expense management also positively impacted the growth in net income. Financial Services' net income for 2001 was $225.4 million, up 18.4% from $190.4 million in 2000. Return on assets for the year was 1.52%, and return on equity was 19.21%, compared to 1.46% and 19.18%, respectively, for 2000. Transaction Processing Services' net income for 2001 was $106.1 million, up 19.7% from $88.6 million in 2000. Successful conversion of TSYS' first European clients, expense control, and a holiday shopping season that met the company's expectations were the key drivers for 2001. Total assets ended the year at $16.7 billion, a growth rate of 11.7% for 2001, resulting primarily from net loan growth of $1.7 billion, or 15.5%. This asset growth was funded in large part by a $984.5 million, or 8.8%, increase in total deposits. Additional funding was provided by long-term debt. Shareholders' equity grew 19.6% to $1.7 billion, which represented 10.17% of total assets. EARNING ASSETS, SOURCES OF FUNDS, AND NET INTEREST INCOME Average total assets for 2001 were $15.4 billion, or 14.2% over 2000 average total

assets of $13.5 billion. Average earning assets for 2001 were $13.7 billion, which represented 89.1% of average total assets. A $1.2 billion, or 14.1%, increase in average deposits for 2001 provided the primary funding for a $1.6 billion, or 15.8%, increase in average net loans. The other primary funding source was a $332 million increase in average long-term debt, consisting of Federal Home Loan Bank advances and parent company senior debt. Average shareholders' equity for 2001 was $1.5 billion. For 2000, average total assets increased $2.0 billion, or 17.7%. Average earning assets for 2000 were $12.1 billion, which represented 89.6% of average total assets. For more detailed information on the average balance sheets for the years ended December 31, 2001, 2000, and 1999, refer to Table 3. Net interest income (interest income less interest expense) is a major component of net income, representing the earnings of the primary business of gathering funds from deposit and other sources and investing those funds in loans and investment securities. Our long-term objective is to manage those assets and liabilities to maximize net interest income while balancing interest rate, credit, liquidity, and capital risks. Net interest income is presented in this discussion on a taxable-equivalent basis, so that the income from assets exempt from federal income taxes is adjusted based on a statutory marginal federal tax rate of 35% in all years (See Table 2). The net interest margin is defined as taxable-equivalent net interest income divided by average total interest earning assets and provides an indication of the efficiency of the earnings from balance sheet activities. The net interest margin is affected by changes in the spread between interest earning asset yields and interest bearing liability costs (spread rate), and by the percentage of interest earning assets funded by non-interest bearing liabilities. Net interest income for 2001 was a record $629.8 million, up $67.5 million, or 12.0%, from 2000. On a taxable-equivalent basis, net interest income was $637 million, up $68.7 million, or 12.1%, over 2000. During 2001, average interest earning assets increased $1.6 billion, or 13.3%, with the majority of this increase attributable to loan growth. Increases in the level of deposits and notes payable were the main contributors to the $1.4 billion, or 13.9%, growth in average interest bearing liabilities. During 2001, Synovus experienced a steady increase in its net interest margin, compared to the margin for the quarter ended December 31, 2000. The margin for the quarter ended December 31, 2001 was 4.80% up from 4.55% for the quarter ended December 31, 2000. The increase was driven primarily by a significant reduction in the cost of funds. This decrease was due to a continued significant downward repricing of fixed rate deposits and a continued improvement in the deposit mix. Our focus on growing in-market core deposits, particularly money market, NOW, and demand deposit accounts is the primary catalyst for our improved deposit mix. Continued strong loan growth throughout 2001 also helped boost the margin within the year. For the year, the net interest margin was 4.65%, compared to 4.70% in 2000. During 2000, net interest income and tax-equivalent net interest income increased 9.6%. Average interest earning assets grew 18.2% while interest bearing liabilities increased 20.1%. The net interest margin of 4.70% is a 37 basis point decrease from the 5.07% reported in 1999. While the margin decreased steadily during the year, most of the decline occurred in the second half of the year. The margin for the fourth quarter was 4.53%, compared to 4.90% for the first quarter. This decrease is primarily the result of strong loan growth exceeding the growth of lower cost deposits. This growth created the need to utilize higher cost wholesale funding to fund a significant portion of our loan growth which, while profitable on a spread basis, produces a lower overall net interest margin. TABLE 2 NET INTEREST INCOME (In thousands) YEARS ENDED DECEMBER 31, -- 2001 2000 1999 ---------- --------- ------- Interest income .... $1,130,888 1,097,805 888,007 Taxable-equivalent adjustment .... 7,249 6,047 5,309 ---------- --------- ------- Interest income, taxable-equivalent ..... 1,138,137 1,103,852 893,316 Interest expense .... 501,097 535,473 374,713 ---------- --------- ------- Net interest income, taxable-equivalent ..... $ 637,040 568,379 518,603 ========== ========= ======= F-28 TABLE 3 CONSOLIDATED AVERAGE BALANCES, INTEREST, AND YIELDS 2001 2000 ------------------------------------- ------------------------------------- (Dollars in thousands) AVERAGE YIELD/ AVERAGE YIELD/ BALANCE INTEREST RATE BALANCE INTEREST RATE ------------ -------- ----- ------------ -------- ----- ASSETS INTEREST EARNING ASSETS: Taxable loans, net(a)(b) .... $ 11,487,866 986,090 8.58% $ 9,931,373 953,814 9.60% Tax-exempt loans, net(a)(b)(c) .... 55,230 4,938 8.94 41,501 4,151 10.00 Allowance for loan losses .... (158,488) -- -- (138,769) -- -- ------------ -------- ----- ------------ ------------ ----- Loans, net .... 11,384,608 991,028 8.70 9,834,105 957,965 9.74 ------------ -------- ----- ------------ ------------ ----- Taxable investment securities(d) .... 1,787,515 111,062 6.21 1,872,383 117,291 6.26 Tax-exempt investment securities(c)(d) .. 232,312 17,223 7.41 197,791 14,601 7.38 ------------ -------- ----- ------------ ------------ ----- Total investment securities .... 2,019,827 128,285 6.35 2,070,174 131,892 6.37 ------------ -------- ----- ------------ ------------ ----- Interest earning deposits with banks .... 4,862 211 4.34 2,062 164 7.95 Federal funds sold and securities purchased under resale

agreements ..... 92,868 4,397 4.73 86,730 5,736 6.61 Mortgage loans held for sale .... 198,395 14,216 7.17 101,010 8,095 8.01 ------------ -------- ----- ------------ ------------ ----- Total interest earning assets .... 13,700,560 1,138,137 8.31 12,094,081 1,103,852 9.13 ------------ -------- ----- ------------ ------------ ----- Cash and due from banks .... 429,024 381,601 Premises and equipment, net .... 545,637 462,338 Other real estate .... 15,002 8,780 Other assets(e) .... 684,781 519,585 ------------ ------------ Total assets .... $ 15,375,004 $ 13,466,385 ============ ============ LIABILITIES AND SHAREHOLDERS' EQUITY INTEREST BEARING LIABILITIES: Interest bearing demand deposits .... $ 1,654,570 30,956 1.87 $ 1,423,625 37,399 2.63 Money market accounts .... 2,354,665 76,958 3.27 1,910,172 91,822 4.81 Savings deposits .... 419,074 5,682 1.36 436,305 9,358 2.14 Time deposits .... 5,229,961 291,065 5.57 4,696,386 281,594 6.00 Federal funds purchased and securities sold under repurchase agreements .... 1,153,878 42,643 3.70 1,248,983 78,445 6.28 Other borrowed funds .... 909,963 53,793 5.90 578,366 36,855 6.37 ------------ -------- ----- ------------ ------------ ----- Total interest bearing liabilities .. 11,722,111 501,097 4.27 10,293,837 535,473 5.18 ------------ -------- ----- ------------ ------------ ----- SPREAD RATE .... 4.04% 3.95% ==== ==== Non-interest bearing demand deposits ...... 1,693,911 1,562,096 Other liabilities .... 410,952 306,818 Shareholders' equity .... 1,548,030 1,303,634 ------------ ------------ Total liabilities and shareholders' equity .... $ 15,375,004 $ 13,466,385 ============ ============ NET INTEREST INCOME/MARGIN .... 637,040 4.65% 568,379 4.70% ==== ==== Taxable-equivalent adjustment .... (7,249) (6,047) -------- ------------ Net interest income, actual .... $ 629,791 $ 562,332 =========== =========== 1999 ------------------------------------ (Dollars in thousands) AVERAGE YIELD/ BALANCE INTEREST RATE ------------ -------- ----- ASSETS INTEREST EARNING ASSETS: Taxable loans, net(a)(b) .... $ 8,186,544 756,202 9.24% Tax-exempt loans, net(a)(b)(c) .... 31,510 3,493 11.09 Allowance for loan losses .... (119,626) -- -- ------------ ---------- ----- Loans, net .... 8,098,428 759,695 9.38 ------------ ---------- ----- Taxable investment securities(d) .... 1,798,853 110,214 6.13 Tax-exempt investment securities(c)(d) .. 170,744 12,781 7.49 ------------ ---------- ----- Total investment securities .... 1,969,597 122,995 6.24 ------------ ---------- ----- Interest earning deposits with banks .... 1,562 88 5.63 Federal funds sold and securities purchased under resale agreements ..... 57,730 2,879 4.99 Mortgage loans held for sale .... 102,524 7,659 7.47 ------------ ---------- ----- Total interest earning assets .... 10,229,841 893,316 8.73 ------------ ---------- ----- Cash and due from banks .... 340,478 Premises and equipment, net .... 408,443 Other real estate .... 8,773 Other assets(e) .... 451,161 ------------ Total assets .... $ 11,438,696 ============ LIABILITIES AND SHAREHOLDERS' EQUITY INTEREST BEARING LIABILITIES: Interest bearing demand deposits .... $ 1,355,301 30,429 2.25 Money market accounts .... 1,796,114 73,280 4.08 Savings deposits .... 466,879 10,085 2.16 Time deposits .... 3,963,862 209,958 5.30 Federal funds purchased and securities sold under repurchase agreements .... 786,954 39,427 5.01 Other borrowed funds .... 199,091 11,534 5.79 ------------ ---------- ----- Total interest bearing liabilities .. 8,568,201 374,713 4.37 ------------ ---------- ----- SPREAD RATE .... 4.36% ===== Non-interest bearing demand deposits ...... 1,450,547 Other liabilities .... 254,522 Shareholders' equity .... 1,165,426 ------------ Total liabilities and shareholders' equity .... $ 11,438,696 ============ NET INTEREST INCOME/MARGIN .... 518,603 5.07% ===== Taxable-equivalent adjustment .... (5,309) ---------- Net interest income, actual .... $ 513,294 ========= (a) Average loans are shown net of unearned income. Nonperforming loans are included. (b) Interest income includes loan fees as follows: 2001 - $50.3 million; 2000 - $40.8 million; 1999 - $37.2 million. (c) Reflects taxable-equivalent adjustments, using the statutory federal income tax rate of 35%, in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis. (d) Includes certain investment securities available for sale, at their respective average amortized cost. For the years ended December 31, 2001, 2000, and 1999, the average amortized cost of these securities amounted to $2.0 billion, $1.8 billion, and $1.7 billion, respectively. (e) Includes average net unrealized gains (losses) on investment securities available for sale of $39.2 million, ($40.5) million, and ($9.1) million for the years ended December 31, 2001, 2000, and 1999, respectively. F-29 TABLE 4 RATE/VOLUME ANALYSIS 2001 COMPARED TO 2000 2000 COMPARED TO 1999 -- (In thousands) CHANGE DUE TO(A) CHANGE DUE TO(A) -- YIELD/ NET YIELD/ NET VOLUME RATE CHANGE VOLUME RATE CHANGE -------- -------- ------ ------ ------ ------- Interest earned on: Taxable loans, net .... $149,423 (117,147) 32,276 161,222 36,390 197,612 Tax-exempt loans, net(b) .... 1,373 (586) 787 1,108 (450) 658 Taxable investment

securities .... (5,313) (916) (6,229) 4,507 2,570 7,077 Tax-exempt investment securities(b) ...... 2,548 74 2,622 2,026 (206) 1,820 Interest earning deposits with banks ..... 223 (176) 47 28 48 76 Federal funds sold and securities purchased under resale agreements ...... 406 (1,745) (1,339) 1,447 1,410 2,857 Mortgage loans held for sale .... 7,801 (1,680) 6,121 (113) 549 436 -------- -------- ------- -------- ------ ------- Total interest income .... 156,461 (122,176) 34,285 170,225 40,311 210,536 -------- -------- ------- -------- ------ ------- Interest paid on: Interest bearing demand deposits .... 6,074 (12,517) (6,443) 1,537 5,433 6,970 Money market accounts .... 21,380 (36,244) (14,864) 4,654 13,888 18,542 Savings deposits .... (369) (3,307) (3,676) (660) (67) (727) Time deposits .... 32,015 (22,545) 9,470 38,824 32,812 71,636 Federal funds purchased and securities sold under repurchase agreements .... (6,165) (29,744) (35,909) 23,148 15,870 39,018 Other borrowed funds .... 21,318 (4,272) 17,046 21,960 3,361 25,321 -------- -------- ------- -------- ------ ------- Total interest expense .... 74,253 (108,629) (34,376) 89,463 71,297 160,760 -------- -------- ------- -------- ------ ------- Net interest income .... $ 82,208 (13,547) 68,661 $ 80,762 (30,986) 49,776 ======== ======== ======= ======== ======= ====== (a) The change in interest due to both rate and volume has been allocated to the rate component. (b) Reflects taxable-equivalent adjustments using the statutory federal income tax rate of 35% in adjusting interest on tax-exempt loans and investment securities to a taxable-equivalent basis. NON-INTEREST INCOME Non-interest income consists of TSYS, TDM and ProCard's revenues as well as a wide variety of fee generating services from the Financial Services segment. Non-interest income totaled $937.7 million in 2001, an increase of 12.5% from the previous year and $833.5 million in 2000, an increase of 12.7% from 1999. Revenues from bankcard data processing and other services offered by TSYS were the largest contributors, increasing $62.6 million, or 10.8% in 2001, and increasing $69.1 million, or 14.1% in 2000 over the previous year. TSYS, TDM and ProCard's combined revenues represented 74.9% of consolidated non-interest income in 2001 compared to 77.1% in 2000. Financial Services' non-interest income increased $42.8 million, or 21.0% in 2001, and $21.9 million or 12.0% in 2000. The increase in Financial Services' non-interest income in 2001 was led by increases in mortgage banking, service charges on deposits, trust revenues, and credit card fees. TSYS contributed approximately 71.3% of total non-interest income in 2001 with the majority of it reported as data processing services income. TSYS' revenues are derived from providing bankcard data processing and related services to banks and other institutions, generally under long-term processing contracts. TSYS' services are provided through its cardholder systems, TS(2) and TS(1), to financial institutions and other organizations throughout the United States, Mexico, Canada, Honduras, the Caribbean, and Europe. TSYS currently offers merchant services to financial institutions and other organizations in Japan. TSYS revenues also include revenues from its joint ventures, TSYS de Mexico and Vital, both of which are accounted for using the equity method. Bankcard data processing revenues are generated primarily from charges based on the number of accounts billed, transactions and authorizations processed, statements mailed, credit bureau requests, credit cards embossed and mailed, and other processing services for cardholder accounts on file. Cardholder accounts on file include active and inactive consumer credit, retail, debit, stored value, and commercial card accounts. Due to the number of card-holder accounts processed by TSYS and the expanding use of cards, as well as increases in the scope of services offered to clients, revenues relating to bankcard data processing services have continued to grow. Processing contracts with large clients, representing a significant portion of TSYS' total revenues, generally provide for discounts on certain services based on the size and activity of clients' portfolios. Therefore, bankcard data processing revenues and the related margins are influenced by the client mix relative to the size of client card portfolios, as well as the number and activity of individual cardholder accounts processed for each client. Due to the somewhat seasonal nature of the credit card industry, TSYS' revenues and results of operations have generally increased in the fourth quarter of each year because of increased transaction and authorization volumes during the traditional holiday shopping season. Furthermore, growth in card portfolios of existing clients, the conversion of cardholder accounts of new clients to TSYS' processing platforms, and the loss of cardholder accounts impact the results of operations from period to period. Another factor, among others, which may affect TSYS' revenues and results of operations from time to time is the sale by a client of its business, its card portfolio, or a segment of its accounts to a party which processes cardholder accounts internally or uses another third-party processor. Consolidation in the financial services and retail industries could favorably or unfavorably impact TSYS' financial condition and results of operations in the future. F-30 The average number of cardholder accounts on file increased 5.9% to 206.1 million in 2001, compared to 194.6 million in 2000, which represented a 7.9% increase over 180.4 million in 1999. At December 31, 2001, TSYS' cardholder accounts on file were approximately 218.5 million,

compared to 195.2 million and 206.2 million at December 31, 2000 and 1999, respectively. The change in cardholder accounts on file at December 31, 2001, as compared to December 31, 2000, included the deconversion of 7.9 million accounts, the addition of approximately 14.8 million accounts attributable to the internal growth of existing clients, and approximately 16.4 million accounts added for new clients. The change in cardholder accounts on file at December 31, 2000, as compared to December 31, 1999, included the deconversion of 36.9 million accounts of Universal Card Services (UCS) and others, the addition of approximately 24.8 million accounts attributable to the internal growth of existing clients, and approximately 1.1 million accounts added for new clients. TSYS provides card processing services to its clients including commercial, retail, and consumer cards. Commercial cards include purchasing cards, corporate cards, and fleet cards for employees. Retail cards include private label and gift cards. Consumer cards include Visa and MasterCard bank and debit cards as well as American Express cards and stored value cards. A significant amount of TSYS' revenues is derived from long-term contracts with large clients, including certain major clients. In September 1999, TSYS announced a new ten-year agreement with the Bank of America Corporation to continue processing its credit card portfolio until 2009. Bank of America accounted for approximately 16% of TSYS' revenues for each of the years ended December 31, 2001, 2000, and 1999. Near the end of the first quarter of 1998, AT&T completed the sale of UCS to CITIBANK, a part of Citigroup. CITIBANK accounted for approximately 13% of TSYS' revenues for the year ended December 31, 1999. On February 26, 1999, CITIBANK notified TSYS of its decision to terminate UCS' processing agreement with TSYS for consumer credit card accounts at the end of its original term on August 1, 2000. Although it remains a client, CITIBANK was not a major client of TSYS for the years ended December 31, 2001 and 2000. TSYS has a long-term processing relationship with Providian Financial Corporation (Providian), one of the largest bankcard issuers in the nation. In October 2001, TSYS announced it signed a multi-year extension to its long-term credit card-processing agreement with Providian, which included a cash payment for processing rights of $12.7 million. Providian accounted for approximately 13% and 11% of TSYS' revenues for the years ended December 31, 2001 and 2000, respectively. Providian was not a major client in 1999. In late 2001, Providian made several announcements regarding concerns about its financial status, related changes in management, and the sale of a portion of its portfolio. As a result of these announcements, TSYS management is actively monitoring Providian's status through frequent interaction. The loss of Providian, or any other major or significant clients, could have a material adverse effect on TSYS' financial condition and results of operations. In May 1998, TSYS announced the signing of a long-term processing agreement with Sears, Roebuck and Co. to convert and process its 65 million retail accounts. TSYS successfully completed the conversion in May 1999. In January 2000, TSYS announced a one-year extension of its long-term retail processing agreement with Sears until 2010. Sears accounted for approximately 10% of TSYS' revenues for the year ended December 31, 2000. Sears was not a major client in 2001, nor was it a major client in 1999. TSYS' share of income from its equity in joint ventures was $17.8 million, $15.6 million, and $12.3 million for the years ended December 31, 2001, 2000, and 1999, respectively. The increase in 2001 is primarily due to Vital's improved operating results as a result of increased volume. Synovus continues to emphasize the importance of growth in its Financial Services fee income. During 2001, Synovus took an important step by increasing the accessibility of its financial services offerings. Our five primary product categories, including banking, financial management, mortgage, insurance, and leasing services, are now further integrated and provided to our customers through our strong network of 38 affiliate banks and other Synovus offices. Additionally, we enhanced our affiliate banking network in 2001 by strengthening our needs-based selling system, or Sales Management System, which touches virtually every customer and banking team member. These efforts resulted in non-interest income for Financial Services increasing by $42.8 million or 21.0%, in 2001, with increases in mortgage banking income of $16.5 million or 76.0%, service charges on deposits of $10.5 million or 13.9%, trust service fees of $4.3 million or 19.4%, and credit card fees of $2.1 million or 10.7%. Total Financial Services' non-interest income as a percentage of total Financial Services' revenues (excluding securities gains and losses) was 28.1% in 2001, up from 26.7% in 2000. See Table 5 for a complete summary of Financial Services' non-interest income. TABLE 5 FINANCIAL SERVICES' NON-INTEREST INCOME (In thousands)

	2001	2000	1999
Service charges on deposits	$86,539	76,002	70,161
Fees for trust services	26,509	22,204	20,354
Credit card fees	21,184	19,129	15,123
Mortgage banking income	38,272	21,741	21,196
Brokerage revenue	16,363	16,063	14,076
Securities gains, net	1,722	781	1,197
Other fee income	17,199	15,110	12,918
Other operating income	39,204	33,175	27,237
Total non-interest income ...	$246,992	204,205	182,262

======= Service charges on deposit accounts represent the single largest fee income component for Financial Services. The main factors that contributed to the 13.9% increase in service charges in 2001 were increases in the number of individual and commercial accounts, transaction volume growth, and the effect of pricing increases in certain service charges. Fees for trust services are derived from providing estate administration services, personal trust and investment management services, corporate trust, and employee benefit plan administration. Fees for trusts under wills and agreements were $8.0 million in 2001, an increase of $1.6 million or 25.8% over $6.4 million in 2000. Family asset management fees were $4.9 million, an increase of $1.4 million or 38.5% over $3.5 million in 2000. During 2001, Synovus acquired a trust portfolio consisting primarily of personal trust accounts. This portfolio contributed approximately $.9 million in trust revenues for 2001. At December 31, 2001 and 2000, the total market value of trust assets administered by Synovus was approximately $8.3 billion and $8.0 billion, respectively. Synovus added $700.0 million in new trust assets during 2001. However, on a year-over-year basis, the overall market value of total trust assets administered by Synovus was impacted by a general decline in the market value of the underlying equity securities. F-31 Mortgage banking revenues increased by $16.5 million or 76.0% over 2000. As mortgage interest rates reached historically low levels, loan originations increased significantly. Total mortgage production volume during 2001 was $2.3 billion, up 118.4% from $1.1 billion in 2000. This resulted in mortgage origination revenues and secondary marketing gains of $36.6 million during 2001, compared to $19.5 million in 2000. The increase in these revenues was partially offset by lower mortgage servicing revenues which were $1.3 million in 2001, down from $2.2 million in 2000. The decrease in servicing revenues was due to the sale of a substantial portion of the servicing portfolio in the fourth quarter of 2000. The 2001 servicing revenues include fees for the subservicing of the portfolio that was sold in 2000. These fees ceased in April 2001 when the portfolio transfer was completed. Other fee income includes fees for letters of credit, safe deposit box fees, access fees for teller machine use, official check issuance fees, and other miscellaneous fee-related income. These fees increased $2.1 million or 13.8% over 2000 primarily from a $1.8 million increase in letter of credit fees. Other operating income was $39.2 million in 2001, compared to $33.2 million in 2000. The main components of other operating income are income from company-owned life insurance policies, insurance commissions, financial planning and asset management fees, and other items discussed below. Creative Financial, acquired in the first quarter of 2001, contributed $4.5 million in financial planning and asset management revenues for the year ended December 31, 2001. During 2001 and 2000, Synovus continued its strategy to sell underperforming branches to allow it to aggressively reinvest those resources in higher growth markets. Gross gains from the sale of certain bank branches were $3.7 million in 2001, compared to $12.0 million in 2000. In 2001, other operating income included a $10.0 million pre-tax gain from the sale of the Star System ATM network, which represented our ownership interest in the network. The 2000 results include a $1.8 million pre-tax gain from the sale of the mortgage servicing rights portfolio. In 2000, Financial Services' non-interest income increased $21.9 million, or 12.0%, with increases in service charges on deposit accounts of $5.8 million or 8.3%, credit card fees of $4.0 million or 26.5%, other fee income of $2.2 million or 17.0%, and brokerage revenue of $2.0 million or 14.1%. Other operating income for 2000 includes $6.2 million from income earned on company-owned life insurance compared to $2.8 million in 1999, gross gains from the sale of certain bank branches of $12.0 million, and a $1.8 million gain from the sale of the mortgage servicing rights portfolio. Total Financial Services' non-interest income as a percentage of total Financial Services' revenues was 26.7% in 2000, up from 26.3% in 1999. NON-INTEREST EXPENSE Management analyzes non-interest expense in two separate components: Financial Services and Transaction Processing Services. Table 6 summarizes this data for the years ended December 31, 2001, 2000, and 1999. Financial Services: While Financial Services' average assets grew by 13.7% and revenues (excluding securities gains and losses) grew by 14.7%, expenses increased 11.5% in 2001. This increase was due primarily to higher incentive compensation expenses in 2001, which were significantly reduced in 2000. The banks in higher growth markets, as well as the mortgage, trust, and brokerage units experienced higher than average increases in expenses while the back office and support units were generally flat over the prior year. Our focus on headcount growth containment continued during 2001, resulting in an average headcount of 5,325 employees compared to an average of 5,191 employees in 2000. The increase was due primarily to acquisitions completed in 2001. The fundamental growth in Financial Services' expense was only 6.7% in 2001 compared to a year ago. The fundamental growth excludes the impact of acquisitions and the above referenced increase in incentive compensation expenses. The trend in our efficiency ratio is a reflection of the progress that we are making in expense management. The Financial Services' efficiency ratio was 53.80% in 2001, compared to 55.35% in 2000 and 58.15% in 1999. Our goal

is that our focus on expense control management will allow us to continue to make improvements in this area. The 17.7% or $42.5 million increase in employment expenses in 2001 compared to 2000 was primarily due to the above referenced increase in incentive compensation expense, as well as a moderate increase in headcount and normal merit and promotional salary adjustments. The single largest component of other operating expenses is fees paid to third-party providers of processing services. These fees were $25.3 million in 2001, up $4.2 million or 20.1% over 2000 due primarily to higher transaction volume. This increase was offset by lower advertising, training, and consulting expenses, which decreased by $4.2 million in the aggregate compared to 2000 levels. Non-interest expense increased $18.8 million, or 4.6%, in 2000 over 1999. Throughout 2000, Financial Services benefited from continuing emphasis on expense control management and headcount growth containment, which resulted in a slight decrease in the number of employees in Financial Services from 5,205 at December 31, 1999 to 5,182 at December 31, 2000. Additionally, total non-interest expense for 2000 was impacted by a reduction in incentive compensation for the Financial Services segment, resulting in a $12.0 million decrease in employment expenses. This TABLE 6 NON-INTEREST EXPENSE (In thousands) 2001(*) 2000(*) 1999(*) ------------------------ ------------------------ ------------------------ TRANSACTION TRANSACTION TRANSACTION FINANCIAL PROCESSING FINANCIAL PROCESSING FINANCIAL PROCESSING SERVICES SERVICES SERVICES SERVICES SERVICES SERVICES --------- ----------- --------- ----------- --------- ----------- Salaries and other personnel expense ... $ 283,172 283,462 240,658 255,266 234,467 224,078 Net occupancy and equipment expense .... 62,904 172,770 60,533 165,180 55,441 152,799 Other operating expenses .... 127,668 88,038 123,802 90,848 116,241 82,804 --------- ------- ------- ------- ------- ------- Total non-interest expense .... $ 473,744 544,270 424,993 511,294 406,149 459,681 ========= ======= ======= ======= ======= ======= (*) The added totals are greater than the consolidated totals due to inter-segment balances which are eliminated in consolidation. F-32 decrease was offset by normal increases in salaries and higher employee group health insurance costs. Approximately $3.4 million of the $5.1 million increase in occupancy and equipment expense during 2000 relates to increased depreciation on computer equipment added as a result of the conversion to a new core processing system, as well as the amortization of a human resources information system that was implemented in 2000. Other factors contributing to the increase in occupancy and equipment expenses during 2000 consist of additional carrying costs for new branch offices and other banking facilities added during 2000 and the latter part of 1999. Other operating expenses increased $7.6 million or 6.5% over 1999. Increases in advertising, training, and third-party processing services contributed $3.9 million of the total increase. Transaction Processing Services: Approximately 95% of total Transaction Processing Services' non-interest expense relates to TSYS, with the remainder related to TDM and ProCard. The following discussion provides an analysis of the non-interest expense components at TSYS. During 2001, TSYS' operating expenses as a percentage of revenues decreased to 79.2%, compared to 81.3% and 83.5% for 2000 and 1999, respectively. The decrease in the ratio was primarily a result of a concerted emphasis on expense control, a focus on improved processes, lower provisions for bad debt expense, lower provisions for transaction processing accruals, and a reduction in amortization of contract acquisition costs. A significant portion of TSYS' operating expenses relates to salaries and other personnel costs. Salaries and other personnel expense increased 9.5% in 2001 over 2000, compared to 13.5% in 2000 over 1999. During 2001, the average number of employees increased to 4,933, compared to 4,606 in 2000 and 4,106 in 1999. The change in total employment costs consists of increases of $39.6 million, $37.2 million and $61.7 million in 2001, 2000 and 1999, respectively. The increase in total employment costs is associated with the growth in the number of employees, normal salary increases, and related employee benefits. These increases were reduced by $17.2 million, $9.1 million, and $14.9 million in 2001, 2000 and 1999, respectively, which were capitalized as software development and contract acquisition costs. Net occupancy and equipment expense increased 4.1% in 2001 over 2000, compared to 7.2% in 2000 over 1999. Computer equipment and software rentals, which represent the largest components of net occupancy and equipment expense, remained consistent in 2001 and 2000. Due to rapidly changing technology in computer equipment and software, TSYS' equipment and software needs are fulfilled primarily through operating leases. In anticipation of the deconversion of a significant client in 2000, TSYS made a concerted effort to improve processing productivity and implemented significant cost controls. During 1999, TSYS made significant investments in computer software licenses related to a new data center located in east Columbus to accommodate increased volumes and expected growth in the number of accounts associated with new and existing clients. As additional software licenses are acquired, net occupancy and equipment expense may increase as a result of the amortization of the costs associated with these new licenses. TSYS continues to monitor and assess its building, software, and

computer equipment needs as it positions itself for future growth and expansion. TSYS has entered into an operating lease agreement relating to its corporate campus. Under the agreement, the lessor, a special purpose entity, purchased the land, obtained financing from a syndicate of banks, paid the construction and development costs, and leased the facilities to TSYS. The lease provides for substantial residual value guarantees and includes purchase options at the original cost of the property. Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased property are the obligations of TSYS. TSYS began moving personnel into the campus facility in December 1998, and completed the move of a substantial number of its personnel by the end of the third quarter of 1999. With the move to the corporate campus, TSYS did not renew leases on certain facilities. The increase in net occupancy and equipment expenses related to occupying the campus was $9.6 million in 2000 and $6.4 million in 1999, net of the relinquished lease obligations. In December 2000, TSYS purchased a 40,000 square-foot building and equipment in York, England for approximately $13.0 million. The building houses client service and administrative personnel for TSYS Europe. TSYS has leased back 17,000 square-feet to the previous owner. Although it only began processing accounts for its new European clients during the last six months of 2001, TSYS had to build the necessary infrastructure to begin processing those accounts in 2001. During 2001, TSYS incurred $16.4 million of operating expenses, net of revenues, related to the expansion in Europe. Other operating expenses decreased 3.0% in 2001 compared to 2000, and increased 4.7% in 2000 compared to 1999. Other operating expenses were impacted by the amortization of contract acquisition costs, the provision for bad debt expense, and the provision of transaction processing accruals. Amortization of contract acquisition costs was $6.5 million, $7.5 million, and $12.3 million in 2001, 2000, and 1999, respectively. For 2001, 2000, and 1999, transaction processing provisions were $1.4 million, $5.7 million, and $6.9 million, respectively. INVESTMENT SECURITIES The investment securities portfolio consists of debt and equity securities categorized as available for sale. In connection with the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, Synovus reclassified its investment securities held to maturity portfolio to the available for sale category. 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 the interest rate risk of its loan and deposit portfolios. At December 31, 2001, approximately $1.6 billion of these investment securities were pledged as required collateral for certain deposits and repurchase agreements. See Table 16 for maturity and average yield information of the investment securities portfolio. The investment strategy focuses on the use of the investment securities portfolio to manage the interest rate risk created by the inherent mismatch between the loan and deposit portfolios. Due to strong loan demand at subsidiary banks, there is little need for investment securities to augment income or utilize unpledged deposits. As such, the investment securities are primarily U.S. Government agencies and Government agency sponsored mortgage-backed securities, both of which have a high degree of liquidity and limited credit risk. A mortgage-backed security depends on the underlying pool of mortgage loans to provide a cash flow pass-through of principal and interest. At December 31, 2001, 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, 2001 and 2000, the estimated fair value of investment securities as a percentage of their amortized cost was 102.1% and 100.7%, respectively. The investment securities portfolio had gross unrealized gains of $46.7 million and gross unrealized losses of $4.4 million, for a net unrealized gain of $42.3 million as of December 31, 2001. As of December 31, 2000, the investment securities portfolio had a net unrealized gain of $15.5 F-33 million. In accordance with SFAS No. 115, shareholders' equity included a net unrealized gain of $26.0 million and $7.2 million recorded on the available for sale portfolio as of December 31, 2001 and 2000, respectively. During 2001, the average balance of investment securities decreased to $2.02 billion, compared to $2.07 billion in 2000. Synovus earned a taxable-equivalent rate of 6.35% and 6.37% for 2001 and 2000, respectively, on its investment securities portfolio. As of December 31, 2001 and 2000, average investment securities represented 14.7% and 17.1%, respectively, of average interest earning assets. Table 7 presents the carrying value of investment securities at December 31, 2001, 2000, and 1999. TABLE 7 INVESTMENT SECURITIES (In thousands) DECEMBER 31, -- 2001 2000 1999 ----------- --------- --------- Investment Securities Available for Sale: U.S. Treasury and U.S. Government agencies .... $ 1,051,201 1,314,293 1,287,953 Mortgage-backed securities .... 735,405 436,807 392,780 State and municipal .... 242,646 35,276 15,126 Other investments .... 59,035 20,663 20,819 ----------- --------- --------- Total investment securities available for sale ... $ 2,088,287 1,807,039 1,716,678 =========== ========= ========= Investment Securities Held to Maturity: U.S. Treasury and U.S. Government agencies .... $ -- 11,717

24,914 Mortgage-backed securities .... -- 38,592 53,698 State and municipal .... -- 183,744 169,745 Other investments .... -- 36,836 28,922 ----------- --------- --------- Total investment securities held to maturity ..... $ -- 270,889 277,279 =========== ========= ========= Total Investment Securities: U.S. Treasury and U.S. Government agencies .... $ 1,051,201 1,326,010 1,312,867 Mortgage-backed securities .... 735,405 475,399 446,478 State and municipal .... 242,646 219,020 184,871 Other investments .... 59,035 57,499 49,741 ----------- --------- --------- Total investment securities .... $ 2,088,287 2,077,928 1,993,957 =========== ========= ========= LOANS Since lending activities are a significant source of revenue, our main objective is to adhere to sound lending practices. When analyzing prospective loans, management considers both interest rate and credit quality objectives in determining whether to extend a given loan and the appropriate pricing for that loan. Operating under a decentralized structure, management emphasizes lending in the local markets we serve. Synovus strives towards 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. Table 8 illustrates that a significant portion of the loan portfolio is in the real estate sector. However, as discussed further herein, these loans are diversified by geography, industry and loan type. The loan policy discourages loans to highly speculative real estate developments, highly leveraged transactions, and other industries known for excessive risk. Table 8 on the following page shows the composition of the loan portfolio at the end of the past five years. In 2001, Synovus continued to experience strong loan growth. At year-end 2001, total loans were $12.4 billion, up 15.5% over 2000. Average loans increased 15.7% or $1.6 billion compared to 2000, representing 84.3% of average earning assets and 75.1% of average total assets. The company experienced growth in the existing portfolio and market share gains through successful business development and additional products and services offered to the current customer base. The mix of loan products being offered focuses on meeting customer needs. As a result of this emphasis, loans have continued to grow throughout the subsidiary markets. The loan portfolio spreads across four southeastern states with diverse economies. The Georgia affiliate banks represent a majority, with 58% of the consolidated portfolio. The Alabama affiliate banks represent 18%, followed by South Carolina with 15% and Northwest Florida with 9%. The growth by geographic market during 2001 was as follows: Georgia 13%; South Carolina 18%; Alabama 9%; and Northwest Florida 46% which was primarily attributable to the acquisition of FABP. The larger markets, where certain sectors of the economy have remained strong, contributed the majority of the loan growth: $286 million in North Atlanta, GA; $199 million in Columbus, GA; $71 million in Birmingham, AL; $65 million in Brunswick, GA; $59 million in Charleston, SC; $49 million in Athens, GA; $45 million in Carrollton, GA; and $36 million in Columbia, SC. Additionally, most of our affiliate banks continued to experience market share gains due to our decentralized banking franchise which has benefited from continued consolidation in the banking industry. For the year ended December 31, 2001, 24 of our 38 banks experienced double-digit loan growth. The commercial loan portfolio consists of commercial, financial, agricultural, and real estate loans. These loans are granted primarily on the borrower's general credit standing and on the strength of the borrower's ability to generate repayment cash flows from income sources. Real estate construction and mortgage loans are secured by commercial real estate as well as 1 - 4 family residences, and represent extensions of credit used as interim or permanent financing of real estate properties. At December 31, 2001, commercial real estate construction and mortgage loans included approximately $884.3 million in loans secured by 1 - 4 family residences while approximately $986.0 million of loans secured by owner-occupied commercial real estate properties were included in the commercial real estate mortgage category. As of December 31, 2001, the commercial loan portfolio comprised 79% of total loans, compared to 79% and 75% in 2000 and F-34 TABLE 8 LOANS BY TYPE (In thousands) DECEMBER 31, -- 2001 2000 1999 --------------------- ------------------ ------------------ AMOUNT %(*) AMOUNT %(*) AMOUNT %(*) ------------ ----- --------- ----- --------- ----- Commercial: Commercial, financial, and agricultural ..... $ 4,004,042 32.2% 3,747,047 34.8 3,012,293 33.2 Real estate - construction .... 2,665,877 21.4 2,411,489 22.4 1,792,813 19.7 Real estate - mortgage .... 3,138,748 25.3 2,336,234 21.7 1,983,766 21.9 ------------ ----- --------- ----- --------- ----- Total commercial .... 9,808,667 78.9 8,494,770 78.9 6,788,872 74.8 ------------ ----- --------- ----- --------- ----- Retail: Real estate-mortgage .... 1,553,154 12.4 1,184,437 11.0 1,089,217 12.0 Consumer loans - credit card .... 234,651 1.9 233,137 2.2 237,546 2.6 Consumer loans - other .... 843,169 6.8 855,933 7.9 961,881 10.6 ------------ ----- --------- ----- --------- ----- Total retail .... 2,630,974 21.1 2,273,507 21.1 2,288,644 25.2 ------------ ----- --------- ----- --------- ----- Total loans 12,439,641 100.0 10,768,277

100.0 9,077,516 100.0 ===== ===== ===== Unearned income .... (21,724) (16,390) (9,277) ------------ ---------- --------- Total loans, net of unearned income ...... $ 12,417,917 10,751,887 9,068,239 ============ ========= ========= DECEMBER 31, --- 1998 1997 ------------------- ------------------- AMOUNT %(*) AMOUNT %(*) --------- ----- --------- ----- Commercial: Commercial, financial, and agricultural ..... 2,547,935 33.5 2,236,355 33.1 Real estate - construction .... 1,318,070 17.3 1,011,559 15.0 Real estate - mortgage .... 1,540,459 20.2 1,333,561 19.7 --------- ----- --------- ----- Total commercial .... 5,406,464 71.0 4,581,475 67.8 --------- ----- --------- ----- Retail: Real estate-mortgage .... 1,058,172 13.9 1,039,420 15.4 Consumer loans - credit card .... 257,721 3.4 306,360 4.5 Consumer loans - other .... 889,785 11.7 830,611 12.3 --------- ----- --------- ----- Total retail .... 2,205,678 29.0 2,176,391 32.2 --------- ----- --------- ----- Total loans .... 7,612,142 100.0 6,757,866 100.0 ===== ===== Unearned income .... (8,537) (5,712) --------- --------- Total loans, net of unearned income ...... 7,603,605 6,752,154 ========= ========= (*) Loan balance in each category, expressed as a percentage of total loans. 1999, respectively. During 2001, commercial, financial, and agricultural loans grew by 7%, real estate construction loans grew by 11%, and real estate mortgage loans grew by 34%. The 34% growth in commercial real estate mortgage loans during 2001 is partially due to a large number of credits that were classified as real estate construction in 2000 and were transferred to the mortgage category upon completion of the projects. Additionally, a strong real estate sector in some of our larger markets as well as the coastal regions of Georgia and Florida contributed to the growth in this category. It is important to note that since most of our markets have experienced strong economic growth, especially with respect to real estate, Synovus conducts ongoing reviews to monitor rapid increases in real estate property values in these markets or any significant overbuilding. Another consideration is the diversification of the types of underlying real estate. For example, real estate construction loans are spread primarily between multi-family, retail, and residential real estate. Retail loans consist of residential mortgages, equity lines, credit card loans, installment loans and other credit line loans. Retail lending decisions are made based upon the cash flow or earning power of the borrower that represents the primary source of repayment. However, in many lending transactions collateral is taken to provide an additional measure of security. Collateral securing these loans provides a secondary source of repayment in that the collateral may be liquidated. Synovus determines the need for collateral on a case-by-case basis. Factors considered include the purpose of the loan, current and prospective credit-worthiness of the customer, terms of the loan, and economic conditions. As of December 31, 2001, the retail loan portfolio comprised 21% of total loans, compared to 21% and 25% in 2000 and 1999, respectively. Real estate mortgage loans increased 31%, while credit card and other consumer loans remained largely unchanged from prior year levels. Table 9 shows the maturity of selected loan categories as of December 31, 2001. Also provided are the amounts due after one year, classified according to the sensitivity in interest rates. Actual repayments of loans may differ from the contractual maturities reflected in Table 9 because borrowers have the right to prepay obligations with and without prepayment penalties. Additionally, the refinancing of such loans or the potential delinquency of such loans could create differences between the contractual maturities and the actual repayment of such loans. TABLE 9 LOAN MATURITY AND INTEREST RATE SENSITIVITY (In thousands) DECEMBER 31, 2001 --- ONE OVER ONE YEAR OVER YEAR THROUGH FIVE FIVE OR LESS YEARS YEARS TOTAL ----------- --------- ------- ----------- Selected loan categories: Commercial, financial, and agricultural ... $ 2,860,464 1,001,822 141,756 4,004,042 Real estate-construction .... 2,016,753 557,283 91,841 2,665,877 ----------- --------- ------- ----------- Total .... $ 4,877,217 1,559,105 233,597 6,669,919 =========== ========= ======= =========== Loans due after one year: Having predetermined interest rates .... $ 1,511,175 Having floating interest rates .... 281,527 ----------- Total .... $ 1,792,702 =========== F-35 PROVISION AND ALLOWANCE FOR LOAN LOSSES Despite credit standards, internal controls, and a continuous loan review process, the inherent risk in the lending process results in periodic charge-offs. The provision for loan losses is the charge to operating earnings necessary to maintain an adequate allowance for loan losses. Through the provision for loan losses, Synovus maintains an allowance for loan losses that management believes is adequate to absorb losses within the loan portfolio. However, future additions to the allowance may be necessary based on changes in economic conditions, as well as changes in assumptions regarding a borrower's ability to pay and/or collateral values. In addition, various regulatory agencies, as an integral part of their examination procedures, periodically review the

subsidiary banks' allowance for loan losses. Based on their judgments about information available to them at the time of their examination, such agencies may require the subsidiary banks to recognize additions to their allowance for loan losses. To determine the adequacy of the allowance for loan losses and the need for potential charges to the allowance, a formal analysis is completed quarterly to assess the risk within the loan portfolio. This assessment, conducted by lending officers and each bank's loan administration department as well as an independent holding company loan administration department, includes analyses of historical performance, past due trends, the level of nonperforming loans, reviews of certain impaired loans, loan activity since the last quarter, consideration of current economic conditions, and other pertinent information. Each one of the 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. The resulting conclusions are reviewed and approved by senior management. During 2000, Synovus made changes to its loan grading system which resulted in greater stratification of risks within the portfolio. The new grading system has not resulted in a significant change in the overall amounts of the allowance although it has resulted in some changes in the allocation by loan type. Improved historical charge-off data under the new grading system contributed to additional changes in the allocation during 2001. The allowance for loan losses consists of two main components: the allocated and unallocated allowances. Both components of the allowance are available to cover inherent losses in the portfolio. The allocated component of the allowance is determined by type of loan within the commercial and retail portfolios. The allocated allowance for commercial loans includes an allowance for impaired loans which is determined as described in the following paragraph. Additionally, the allowance for commercial loans includes an allowance for non-impaired loans which is based on application of loss reserve factors to the components of the portfolio based on the assigned loan grades. The allocated allowance for retail loans is generally determined on pools of homogeneous loan categories. Loss factors applied to these pools are based on average historical losses for the past two years, current delinquency trends, and other factors. The unallocated component of the allowance is established for losses that specifically exist in the remainder of the portfolio, but have yet to be identified. This also compensates for the uncertainty in estimating loan losses. The unallocated component of the allowance is based upon management's evaluation of various conditions, the effects of which are not directly considered in the allocated allowance. These include credit concentrations, recent levels and trends in delinquencies and nonaccrual loans, new credit products, changes in lending policies and procedures, changes in personnel, and regional and local economic conditions. Considering current information and events regarding the borrowers' ability to repay their obligations, management considers a loan to be impaired when the ultimate collectibility of all principal and interest amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan becomes impaired, management calculates the impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. If the loan is collateral dependent, the fair value of the collateral is used to measure the amount of impairment. The amount of impairment and any subsequent changes are recorded, through a charge to earnings, as an adjustment to the allowance for loan losses. When management considers a loan, or a portion thereof, as uncollectible, it is charged against the allowance for loan losses. A majority of Synovus' impaired loans are collateral-dependent. Accordingly, Synovus has determined the required allowance on these loans based upon fair value estimates (net of selling costs) of the respective collateral. The required allowance (or the actual losses) on these impaired loans could differ significantly if the ultimate fair value of the collateral is significantly different from the fair value estimates used by Synovus in estimating such potential losses. Reflecting the emphasis on high credit quality and credit management, the ratio of nonperforming assets to total loans at December 31, 2001 is .54%, compared to .52% as of December 31, 2000. The allowance for loan losses was 1.38% of loans, which provides coverage of 331% of nonperforming loans at December 31, 2001, compared to 355% at year-end 2000. The provision for loan losses during the year was $51.7 million, up 16.5% from $44.3 million in 2000. Net charge-offs were $35.0 million in 2001, compared to $24.0 million in 2000. As a percentage of average net loans, the net charge-off ratio was .30% in 2001, compared to .24% in 2000. A summary by loan category of loans charged off, recoveries of loans previously charged off, and additions to the allowance through provision expense is presented in Table 10. An allocation of the allowance for loan losses has been made according to the respective amounts 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 allowance amounts are allocated by evaluating the loss potential of individual loans that management has considered impaired. The allocation of the allowance for loan losses is based on historical data,

subjective judgment, and estimates, and therefore is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. Refer to Table 11 for a five year comparison of the allocation of the allowance for loan losses. The allowance for loan losses allocated to the commercial real-estate construction, commercial real estate-mortgage, and consumer loans-other portfolio has changed significantly when compared to the amounts allocated in 1999 and prior years. This change was due in large part to the growth in the construction and mortgage loan portfolio. Additionally, the new grading system and current credit quality indicators have also impacted the allocation in 2001 and 2000. The unallocated component of the allowance for loan losses decreased from .28% to .20% of total loans at December 31, 2000 and 2001, respectively. Management believes that this level of unallocated allowance is adequate to provide for probable losses that are inherent in the loan portfolio and that have not been fully provided through the allocated reserves. Factors considered in determining the adequacy of the unallocated reserve included the robust loan growth in our larger markets, the level of real estate loans most of which are collateralized by properties in the southeastern United States, as well as the aggregate credit risk profile in the loan portfolio. These factors are tempered by the increased allocation to the commercial portfolio provided by the new loan grading system as well as the seasoning of certain loan portfolios acquired through recent acquisitions. F-36 Certain economic and interest rate factors could have a material impact on the determination of the allowance for loan losses. The depth, duration, and dispersion of any economic recession all have an impact on the credit risk profile of the loan portfolio. Additionally, a rapidly rising interest rate environment which may cause rates to reach double digits could have a material impact on certain borrower's ability to pay. TABLE 10 ALLOWANCE FOR LOAN LOSSES (Dollars in thousands) DECEMBER 31, -- 2001 2000 1999 1998 1997 -------- ------- ------- ------- ------ Allowance for loan losses at beginning of year .... $147,867 127,558 114,109 105,705 97,455 Allowance for loan losses of acquired subsidiaries .... 6,217 -- 2,928 6,170 -- Loans charged off: Commercial: Commercial, financial, and agricultural .... 17,806 11,825 9,457 7,559 7,424 Real estate - construction .... 307 482 538 249 412 Real estate - mortgage .... 1,294 1,336 1,099 2,209 2,417 -------- ------- ------- ------- ------- Total commercial .... 19,407 13,643 11,094 10,017 10,253 -------- ------- ------- ------- ------- Retail: Real estate-mortgage .... 1,750 2,052 1,598 1,347 1,750 Consumer loans - credit card .... 11,579 9,961 11,592 13,939 14,308 Consumer loans - other .... 9,069 6,504 6,159 5,838 6,001 -------- ------- ------- ------- ------- Total retail .... 22,398 18,517 19,349 21,124 22,059 -------- ------- ------- ------- ------- Total loans charged off .... 41,805 32,160 30,443 31,141 32,312 -------- ------- ------- ------- ------- Recoveries on loans previously charged off: Commercial: Commercial, financial, and agricultural .... 2,448 2,990 2,594 2,360 3,499 Real estate-construction .... 38 258 45 253 99 Real estate-mortgage .... 132 357 363 336 1,229 -------- ------- ------- ------- ------- Total commercial .... 2,618 3,605 3,002 2,949 4,827 -------- ------- ------- ------- ------- Retail: Real estate-mortgage .... 680 945 295 202 197 Consumer loans-credit card .... 1,166 895 1,359 1,392 737 Consumer loans-other .... 2,353 2,683 2,301 1,950 2,316 -------- ------- ------- ------- ------- Total retail .... 4,199 4,523 3,955 3,544 3,250 -------- ------- ------- ------- ------- Total loans recovered .... 6,817 8,128 6,957 6,493 8,077 -------- ------- ------- ------- ------- Net loans charged off .... 34,988 24,032 23,486 24,648 24,235 -------- ------- ------- ------- ------- Provision expense .... 51,673 44,341 34,007 26,882 32,485 -------- ------- ------- ------- ------- Allowance for loan losses at end of year .... $170,769 147,867 127,558 114,109 105,705 ======== ======= ======= ======= ======= Allowance for loan losses to loans, net of unearned income ... 1.38% 1.38 1.41 1.50 1.57 ======== ======= ======= ======= ======= Ratio of net loans charged off to average loans outstanding, net of unearned income .... 0.30% 0.24 0.29 0.35 0.37 ======== ======= ======= ======= ======= TABLE 11 ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES (Dollars in thousands) DECEMBER 31, -- 2001 2000 1999 ----------------- ----------------- ----------------- AMOUNT %(*) AMOUNT %(*) AMOUNT %(*) --------- ----- ------- ----- ------- ----- Commercial: Commercial, financial, and agricultural ..... $ 70,166 32.2 58,034 34.8 54,011 33.2 Real estate-construction .... 23,368 21.4 13,410 22.4 3,380 19.7 Real estate-mortgage .... 25,754 25.3 18,488 21.7 9,324 21.9 --------- ----- ------- ----- ------- ----- Total commercial .... 119,288 78.9 89,932 78.9 66,715 74.8 --------- ----- ------- ----- ------- ----- Retail: Real estate-mortgage .... 1,503 12.4 2,160 11.0 1,634 12.0 Consumer loans-credit card .... 9,803 1.9 11,320 2.2 11,877 2.6 Consumer loans-other .... 15,268 6.8 14,613 7.9 20,200 10.6 --------- ----- ------- ----- ------- ----- Total retail ....

26,574 21.1 28,093 21.1 33,711 25.2 --------- ----- ------- ----- ------- ----- Unallocated .... 24,907 -- 29,842 -- 27,132 -- --------- ----- ------- ----- ------- ----- Total allowance for loan losses .... $ 170,769 100.0% 147,867 100.0 127,558 100.0 ========= ===== ======= ===== ======= ===== DECEMBER 31, -------------------------------------- 1998 1997 ---------------- ---------------- AMOUNT %(*) AMOUNT %(*) ------- ----- ------- ----- Commercial: Commercial, financial, and agricultural ..... 45,431 33.5 43,003 33.1 Real estate-construction .... 1,822 17.3 2,166 15.0 Real estate-mortgage .... 6,381 20.2 5,562 19.7 ------- ----- ------- ----- Total commercial .... 53,634 71.0 50,731 67.8 ------- ----- ------- ----- Retail: Real estate-mortgage .... 1,582 13.9 632 15.4 Consumer loans-credit card .... 12,950 3.4 14,646 4.5 Consumer loans-other .... 18,555 11.7 17,498 12.3 ------- ----- ------- ----- Total retail .... 33,087 29.0 32,776 32.2 ------- ----- ------- ----- Unallocated .... 27,388 -- 22,198 -- ------- ----- ------- ----- Total allowance for loan losses .... 114,109 100.0 105,705 100.0 ======= ===== ======= ===== (*) Loan balance in each category expressed as a percentage of total loans. F-37 Our current assumptions are that an economic recovery will occur during the second half of 2002 and that the depth of the recession will have already peaked prior to the last half of 2002. Additionally, we are assuming that the dispersion of the recession will have primarily had its greatest impact on the industrial production, travel, and entertainment industries. With respect to the interest rate environment, Synovus currently anticipates that interest rates will be increasing slightly by the end of 2002. In the event of a dramatic downturn in this recession, in which there was a wide dispersion in all sectors of our economy, and/or a significant rapid rise in interest rates to double-digit levels creating higher borrowing costs and tightening corporate profits, Synovus' credit costs could increase significantly. NONPERFORMING ASSETS AND PAST DUE LOANS Nonperforming assets consist of loans classified as nonaccrual or restructured, and real estate acquired through foreclosure. Accrual of interest on loans is discontinued when reasonable doubt exists as to the full collection of interest or principal, or when they become contractually in default for 90 days or more as to either interest or principal, unless they are both well-secured and in the process of collection. Nonaccrual loans consist of those loans on which recognition of interest income has been discontinued. Loans may be restructured as to rate, maturity, or other terms as determined on an individual credit basis. Demand and time loans, whether secured or unsecured, are generally placed on nonaccrual status when principal and/or interest is 90 days or more past due, or earlier if it is known or expected that the collection of all principal and/or interest is unlikely. Loans past due 90 days or more, which based on a determination of collectibility are accruing interest, are classified as past due loans. Nonaccrual loans are reduced by the direct application of interest and principal payments to loan principal, for accounting purposes only. Table 12 presents the amount of interest income that would have been recorded on non-performing loans if those loans had been current and performing in accordance with their original terms. Nonperforming assets increased $11.8 million to $67.4 million with the corresponding nonperforming asset ratio increasing to .54% as of December 31, 2001 compared to .52% as of year-end 2000. The increase in nonperforming assets is primarily related to one large commercial credit in the trucking and transportation industry and management does not see a systemic problem in a particular segment of the portfolio or any particular bank. As a percentage of total loans outstanding, loans 90 days past due and still accruing interest decreased from prior year levels to .22% at December 31, 2001, compared to .31% at year-end 2000. These loans are in the process of collection, and management believes that sufficient collateral value securing these loans exists to cover contractual interest and principal payments on the loans. Management further believes the resolution of these delinquencies will not cause a material increase in nonperforming assets. Management continuously monitors nonperforming, impaired, and past due loans, to prevent further deterioration regarding the condition of these loans. Management is not aware of any material loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that have been excluded from nonperforming assets or impaired loans. Impaired loans at December 31, 2001 and 2000 are $62.4 million and $46.8 million, respectively. Management further believes nonperforming assets and impaired loans include all material loans in which doubts exist as to the collectibility of amounts due according to the contractual terms of the loan agreement. TABLE 12 NONPERFORMING ASSETS AND PAST DUE LOANS (Dollars in thousands) DECEMBER 31, --- 2001 2000 1999 1998 1997 ------- ------ ------ ------ ------ Nonaccrual loans .... $51,163 40,863 26,672 20,756 18,304 Restructured loans .... 423 846 1,252 452 563 ------- ------ ------ ------ ------ Nonperforming loans .... 51,586 41,709 27,924 21,208 18,867 Loans 90 days past due and still accruing .... 27,134 33,587 16,878 24,640 20,963 ------- ------ ------ ------ ------ Total $78,720 75,296

44,802 45,848 39,830 ======= ====== ====== ====== ====== Nonperforming assets: Nonperforming loans(a) .... $51,586 41,709 27,924 21,208 18,867 Other real estate .... 15,867 13,898 6,718 9,536 10,545 ------- ------ ------ ------ ------ Total .... $67,453 55,607 34,642 30,744 29,412 ======= ====== ====== ====== ====== Nonperforming assets to total loans and other real estate ... 0.54% 0.52 0.38 0.40 0.43 ======= ====== ====== ====== ====== Allowance for loan losses to nonperforming loans .... 331.04% 354.52 456.80 538.05 560.26 ======= ====== ====== ====== ====== Interest income on nonperforming loans that would have been reported for the years ended December 31, 2001, 2000, and 1999 is summarized as follows: ------------------------------- 2001 2000 1999 ------- ----- ----- Interest at contractual rates(b) .... $ 6,550 3,586 3,177 Less interest recorded as income .... 3,593 1,329 569 ------- ----- ----- Reduction of interest income .... $ 2,957 2,257 2,608 ======= ===== ===== (a) Nonperforming assets exclude loans 90 days past due and still accruing interest. (b) Interest income that would have been recorded if the loans had been current and performing in accordance with their original terms. F-38 TABLE 13 AVERAGE DEPOSITS (Dollars in thousands) DECEMBER 31, -- 2001 %(*) 2000 %(*) 1999 %(*) ----------- ----- ---------- ----- --------- ----- Non-interest bearing demand deposits ... $ 1,693,911 14.9 1,562,096 15.6 1,450,547 16.0 Interest bearing demand deposits .... 1,654,570 14.6 1,423,625 14.2 1,355,301 15.0 Money market accounts .... 2,354,665 20.7 1,910,172 19.0 1,796,114 19.9 Savings deposits .... 419,074 3.7 436,305 4.3 466,879 5.2 Time deposits under $100,000 .... 2,608,502 23.0 2,492,611 24.9 2,436,688 27.0 Time deposits $100,000 and over .... 2,621,459 23.1 2,203,775 22.0 1,527,174 16.9 ----------- ----- ---------- ----- --------- ----- Total average deposits .... $11,352,181 100.0 10,028,584 100.0 9,032,703 100.0 =========== ===== ========== ===== ========= ===== (*) Average deposits balance in each category expressed as percentage of total average deposits. DEPOSITS Deposits provide the most significant funding source for interest earning assets. Table 13 shows the relative composition of average deposits for 2001, 2000, and 1999. Refer to Table 14 for the maturity distribution of time deposits of $100,000 or more. These larger deposits represented 22.1% and 22.9% of total deposits at December 31, 2001 and 2000, respectively. Large denomination time deposits are generally from customers within the local market areas of subsidiary banks, and, therefore, provide a greater degree of stability than is typically associated with this source of funds. Synovus also utilizes national market brokered deposits as a funding source while continuing to maintain and grow its local market large denomination time deposit base. Time deposits over $100,000 at December 31, 2001, 2000, and 1999 were $2.7 billion, $2.6 billion, and $1.8 billion, respectively. Interest expense for the years ended December 31, 2001, 2000, and 1999, on these large denomination deposits was $144.9 million, $138.1 million, and $82.7 million, respectively. In 2001, Synovus continued to focus on growing in-market core deposits, particularly money market, NOW, and non-interest bearing demand deposits, with the objective of reducing the overall cost of funds. During 2001, average deposits increased $1.32 billion or 13.2%, to $11.3 billion from $10.0 billion in 2000. Average interest bearing deposits for 2001, which include interest bearing demand deposits, money market accounts, savings deposits, and time deposits, increased $1.19 billion or 14.1% from 2000. Average non-interest bearing demand deposits increased $131.8 million or 8.4% during 2001. Average interest bearing deposits increased $884.3 million or 11.7% from 1999 to 2000, while average non-interest bearing demand deposits increased $111.5 million, or 7.7%. See Table 3 for further information on average deposits, including the average rates paid in 2001, 2000, and 1999. TABLE 14 MATURITY DISTRIBUTION OF TIME DEPOSITS OF $100,000 OR MORE (In thousands) DECEMBER 31, 2001 ---------------- 3 months or less .... $ 932,185 Over 3 months through 6 months ..... 540,863 Over 6 months through 12 months .... 680,989 Over 12 months .... 531,564 ---------- Total outstanding .... $2,685,601 ========== INTEREST RATE RISK MANAGEMENT Managing interest rate risk is a primary goal of the asset/liability management function. Synovus attempts to achieve consistent growth in net interest income while limiting volatility arising from changes in interest rates. Synovus seeks to accomplish this goal by balancing the maturity and repricing characteristics assets and liabilities along with the selective use of derivative instruments. Simulation modeling is the primary tool used by Synovus to measure its interest rate sensitivity. On at least a quarterly basis, the following twenty-four month time period is simulated to determine a baseline net interest income forecast and the sensitivity of this forecast to changes in interest rates. These simulations include all of the company's earning assets, liabilities and derivative instruments. Forecasted balance sheet changes, primarily reflecting loan and deposit growth forecasts, are included in the periods modeled. 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. Simulation also enables Synovus to capture the effect of expected prepayment level changes on selected assets and liabilities subject to prepayment. Synovus maintains policies designed to limit the maximum acceptable negative impact on net interest income over twelve and twenty-four month time horizons from a gradual change in short-term interest rates of up and down 200 basis points. These policies specify the maximum allowable negative change in net interest income in the rising and declining rate scenarios from the stable rate scenarios. The current policy limits this change to 5% of projected net interest income for the twelve-month time horizon and 7% for the twenty-four month time horizon. Due to actions taken by the Federal Reserve Board in 2001, short-term interest rates ended the year at their lowest level in several decades. For the year, the targeted federal funds rate declined 475 basis points to 1.75%. Synovus believes that further declines in this rate are unlikely; however, Synovus has modeled its exposure to a further gradual 100 basis point decline in this rate to .75%. In this scenario, net interest income for 2002 would decrease by approximately .8% as compared to an unchanged interest rate environment. In a gradually rising interest rate environment, Synovus would expect 2002 net interest income to increase as compared to an unchanged interest rate environment. These increases would be approximately 2.6% for a gradual 100 basis point increase and 5.2% for a gradual 200 basis point increase. The actual change in net interest income would also depend on the specific changes in asset and liability volumes and mix experienced over these time horizons. Market conditions and their resulting F-39 impact on loan and deposit pricing are also a primary determinant of the realized net interest income. Synovus also utilizes simulation modeling to evaluate the longer-term interest rate risk position of the company. Synovus measures this position by simulating the market value of equity in changing rate environments. The model estimates the impact of an immediate 200 basis point rate shock on the present value of the future cash flows of all assets, liabilities, and derivative instruments. Synovus maintains a policy guideline limiting the maximum allowable change in the market value of equity in both rising and declining rate shocks. This policy limits the maximum allowable change to an amount equal to 15% of shareholders' equity. Synovus was within this guideline at year-end. Another tool utilized by management is cumulative gap analysis, which seeks to measure the repricing differentials, or gap, between rate sensitive assets and liabilities over various time periods. Table 15 reflects the gap positions of the consolidated balance sheets at December 31, 2001 and 2000, at various repricing intervals. The projected deposit repricing volumes reflect adjustments based on management's assumptions of the expected rate sensitivity relative to the prime rate for core deposits without contractual maturity (i.e., interest bearing checking, savings, and money market accounts). Management believes that these adjustments allow for a more accurate profile of the interest rate risk position. The projected investment securities repricing reflects expected prepayments on mortgage-backed securities and expected cash flows on securities subject to accelerated redemption options. These assumptions are made based on the interest rate environment as of each balance sheet date, and are subject to change as the general level of interest rates changes. Management would anticipate a lengthening of average investment maturities in a rising rate environment and a more moderate shortening in a declining rate environment. While these potential changes are not depicted in the static gap analysis, simulation modeling allows for the proper analysis of these and other relevant potential changes. This gap analysis indicates a cumulative three-month gap of positive 6.7% and a cumulative one-year gap of minus .5% as of December 31, 2001. These gap measurements would indicate an asset sensitive positioning in the short term with a more balanced position over longer time periods. 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 15 INTEREST RATE SENSITIVITY (Dollars in millions) DECEMBER 31, 2001 -- 0-3 4-12 1-5 OVER 5 MONTHS MONTHS YEARS YEARS -------- -------- ------- ------- Investment securities(*) .... $ 222.0 398.4 1,054.8 370.9 Loans, net of unearned income .... 6,403.9 1,535.7 3,800.6 677.7 Mortgage loans held for sale .... 397.9 -- -- -- Other .... 27.6 -- -- -- -------- -------- ------- ------- Interest sensitive assets .... 7,051.4 1,934.1 4,855.4 1,048.6 -------- -------- ------- ------- Deposits .... 3,962.3 3,116.9 2,701.0 381.4 Other borrowings .... 1,821.8 5.2 482.8 89.1 -------- -------- ------- ------- Interest sensitive liabilities .... 5,784.1 3,122.1 3,183.8 470.5 -------- -------- ------- ------- Interest rate swaps .... (265.0) 105.0 145.0 15.0 -------- -------- ------- ------- Interest sensitivity gap .... $1,002.3 (1,083.0) 1,816.6 593.1 ======== ======== ======= ======= Cumulative interest sensitivity gap $1,002.3 (80.7) 1,735.9 2,329.0

======== ======== ======= ======= Cumulative interest sensitivity gap as a percentage of total interest sensitive assets .... 6.7% (0.5) 11.7 15.6 ======== ======== ======= ======= DECEMBER 31, 2001 --- 0-3 4-12 1-5 OVER 5 MONTHS MONTHS YEARS YEARS -------- -------- ------- ------- Investment securities(*) .... $ 131.3 199.0 960.6 775.8 Loans, net of unearned income .... 5,054.1 1,581.8 3,552.5 563.5 Mortgage loans held for sale .... 108.2 -- -- -- Other .... 378.0 -- -- 1.8 -------- -------- ------- ------- Interest sensitive assets .... 5,671.6 1,780.8 4,513.1 1,341.1 -------- -------- ------- ------- Deposits .... 3,072.5 3,373.0 2,448.0 541.4 Other borrowings .... 1,527.9 1.7 301.9 49.3 -------- -------- ------- ------- Interest sensitive liabilities .... 4,600.4 3,374.7 2,749.9 590.7 -------- -------- ------- ------- Interest rate swaps .... (500.0) 135.0 365.0 -- -------- -------- ------- ------- Interest sensitivity gap .... $ 571.2 (1,458.9) 2,128.2 750.4 ======== ======== ======= ======= Cumulative interest sensitivity gap .... $ 571.2 (887.7) 1,240.5 1,990.9 ======== ======== ======= ======= Cumulative interest sensitivity gap as a percentage of total interest sensitive assets .... 4.3% (6.7) 9.3 14.6 ======== ======== ======= ======= (*) Excludes the effect of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", consisting of net unrealized gains of $42.4 million and $9.9 million at December 31, 2001 and 2000, respectively. F-40 The calculation of weighted average yields for investment securities in Table 16 is based on the amortized cost and effective yields of each security. The yield on state and municipal securities is computed on a taxable-equivalent basis using the statutory federal income tax rate of 35%. Maturity information is presented based upon contractual maturity. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. TABLE 16 MATURITIES OF INVESTMENT SECURITIES AND AVERAGE YIELDS DECEMBER 31, 2001 ------------------------------ (Dollars in thousands) INVESTMENT SECURITIES AVAILABLE FOR SALE ------------------------------ ESTIMATED AVERAGE FAIR VALUE YIELD ---------- ------- U.S. Treasury and U.S. Government agencies: Within 1 year .... $ 108,416 5.90% 1 to 5 years .... 633,978 5.68 5 to 10 years .... 289,383 6.38 More than 10 years .... 19,424 6.63 ---------- ---- Total .... 1,051,201 5.91 ---------- ---- State and municipal: Within 1 year .... 12,286 7.03 1 to 5 years .... 67,793 6.86 5 to 10 years .... 98,819 7.27 More than 10 years .... 63,748 7.66 ---------- ---- Total .... 242,646 7.24 ---------- ---- Other investments: Within 1 year .... 3,300 5.84 1 to 5 years .... 11,873 6.69 5 to 10 years .... 157 4.22 More than 10 years .... 43,705 5.75 ---------- ---- Total .... 59,035 5.93 ---------- ---- Mortgage-backed securities .... 735,405 6.26 ---------- ---- Total investment securities: Within 1 year .... 124,002 6.01 1 to 5 years .... 713,644 5.80 5 to 10 years .... 388,359 6.60 More than 10 years .... 126,877 6.84 Mortgage backed securities ..... 735,405 6.26 ---------- ---- Total .... $2,088,287 6.19% ========== ==== DERIVATIVES INSTRUMENTS FOR INTEREST RATE RISK MANAGEMENT As part of its overall interest rate risk management activities, Synovus utilizes certain derivative instruments to modify the repricing characteristics of assets and liabilities. The primary instruments utilized by Synovus are interest rate swaps where Synovus receives a fixed rate of interest and pays a floating rate tied to either the prime rate or LIBOR. These swaps are utilized to effectively convert on-balance sheet floating rate loans to fixed rate assets and to convert fixed-rate liabilities to floating rate liabilities. Interest rate contracts utilized by Synovus represent end-user activities designed as hedges, all of which are linked to specific assets or liabilities as part of overall interest rate risk management practices. Management believes that the utilization of these instruments provides greater financial flexibility and is a very efficient tool for managing interest rate risk. The notional amount of interest rate swap and floor contracts utilized by Synovus as of December 31, 2001 and 2000, was $265 million and $520 million, respectively. The notional amounts represent the amount on which calculations of interest payments to be exchanged are based. Although Synovus is not exposed to credit risk equal to the notional amounts, there is exposure to potential credit risks equal to the fair or replacement values of the swaps if the counterparty fails to perform. This credit risk is normally a very small percentage of the notional amount and fluctuates as interest rates change. Synovus minimizes this risk by subjecting the transaction to the same approval process as on-balance sheet credit activities, by dealing with only highly-rated counterparties, and by obtaining collateral agreements for exposure above certain predetermined limits. A summary of interest rate contracts and their terms at December 31, 2001 and 2000 is shown in Table 17. In accordance with the provisions of SFAS No. 133, the fair value (net unrealized gain) of these contracts

was recorded on the consolidated balance sheet beginning January 1, 2001. Prior to the adoption of SFAS No. 133 (2000 and prior years), the fair value of these instruments was considered off-balance sheet and not recorded on the financial statements. During 2001, there were six maturities and six terminations. There were five maturities and eight terminations in 2000. Interest rate contracts contributed additional net interest income of $6.4 million and a five basis point increase in the net interest margin for 2001. For 2000, interest rate contracts contributed to a decrease in net interest income of $2.3 million and a two basis point decrease in the net interest margin. TABLE 17 INTEREST RATE CONTRACTS WEIGHTED NET (Dollars in thousands) WEIGHTED WEIGHTED WEIGHTED AVERAGE UNREALIZED NOTIONAL AVERAGE AVERAGE AVERAGE MATURITY UNREALIZED UNREALIZED GAINS AMOUNT RECEIVE RATE PAY RATE(*) FLOOR RATE IN MONTHS GAINS LOSSES (LOSSES) -------- ------------ ----------- ---------- --------- ---------- ---------- ---------- DECEMBER 31, 2001 RECEIVE FIXED SWAPS: FAIR VALUE HEDGES (LIBOR) .... $100,000 6.55% 2.08% n/a 32 $ 2,600 (514) 2,086 CASH FLOW HEDGES (PRIME) .... 165,000 8.66% 4.75% n/a 17 7,173 -- 7,173 -------- ------- ---- ----- TOTAL .... $265,000 7.87% 3.74% 23 9,773 (514) 9,259 -------- ------- ---- ----- DECEMBER 31, 2000 Receive fixed swaps - LIBOR .... $180,000 6.92% 6.55% n/a 20 $ 2,521 (132) 2,389 Receive fixed swaps - Prime .... 320,000 8.76% 9.50% n/a 26 1,645 (393) 1,252 -------- ------- ---- ----- Total receive fixed swaps .. 500,000 8.10% 8.44% 24 4,166 (525) 3,641 -------- ------- ---- ----- Purchased interest rate floors ..... 20,000 n/a n/a 8.00% 2 -- (6) (6) -------- ------- ---- ----- Total .... $520,000 23 $ 4,166 (531) 3,635 ======== ======= ==== ===== (*) Variable pay rate based upon contract rates in effect at December 31, 2001 and 2000. F-41 MARKET RISK Market risk reflects the risk of economic loss resulting from adverse changes in market prices and interest rates. This risk of loss can be reflected in either diminished current market values or reduced potential net interest income in future periods. Market risk arises primarily from interest rate risk inherent in Synovus' lending and deposit taking activities. The structure of the loan and deposit portfolios is such that a decline in the prime rate and other market rates may negatively impact net market values and interest income. Management seeks to manage this risk through the utilization of various tools, primarily investment securities and derivative instruments. The composition and size of the investment portfolio is managed so as to reduce the interest rate risk in the deposit and loan portfolios while at the same time maximizing the yield generated from the portfolio. Derivative instruments are also utilized to reduce the risk in the deposit and loan portfolios. One of the primary instruments utilized by Synovus is the receive fixed interest rate swap which allows the company to effectively hedge the market risk created by on-balance sheet floating rate loans and fixed rate deposits. These swaps allow Synovus to reduce the exposure to declining interest rates inherent in its combined deposit and loan portfolios. Table 18 presents in tabular form the contractual balances and the estimated fair value of on-balance sheet financial instruments and the notional amount and estimated fair value of derivative instruments at their expected maturity dates as of December 31, 2001, with comparative summary balances at December 31, 2000. Investment securities' cash flows are reflected at their contractual maturity date, except for mortgage-backed securities' cash flows which are reflected in the period in which they are expected to prepay taking into consideration historical prepayment experience and current interest rate levels. For core deposits without contractual maturity (i.e., interest bearing checking, savings, and money market accounts), the table presents principal cash flows based on management's judgment concerning their most likely runoff or repricing behaviors. Table 18 presents notional amounts and weighted-average interest rates by contractual maturity date for derivative instruments. Notional amounts represent the amount on which calculations of interest payments to be exchanged are based. Weighted average variable rates are based on market rates at the most recent reset date for each respective swap tied to LIBOR and the December 31, 2001 prime rate for each respective swap tied to prime. There have been no substantial changes in the market risk profile from the preceding year and the assumptions are consistent with prior year assumptions. TABLE 18 MARKET RISK INFORMATION (Dollars in thousands) PRINCIPAL/NOTIONAL AMOUNT MATURING IN: 2002 2003 2004 2005 2006 ---------- --------- --------- ------- ------- RATE-SENSITIVE ASSETS: Fixed interest rate loans .... $2,232,212 1,111,597 1,278,355 640,266 770,393 Average interest rate .... 7.79% 8.35% 7.97% 8.16% 7.72% Variable interest rate loans .... $4,985,293 136,436 117,313 146,482 186,603 Average interest rate .... 5.15% 6.12% 6.28% 6.73% 6.49% Fixed interest rate securities .... $ 381,371 276,229 302,854 260,727 214,425 Average interest rate .... 6.18% 6.05% 6.10% 5.77% 5.91% Variable interest rate securities .... $ 13,760 7,483 4,374 2,730 1,814 Average interest rate .... 6.25% 6.23% 6.22% 6.22% 6.23% Equity securities .... $ -- -- -- -- -- Average interest .... -- -- -- -- -- Other interest bearing assets .... $ 425,497 -- -- -- -- Average interest rate .... 6.35% -- -- --

-- RATE-SENSITIVE LIABILITIES: Savings and interest bearing checking ...... $2,922,286 445,380 445,380 402,783 402,782 Average interest rate .... 1.58% 1.18% 1.18% 1.12% 1.12% Fixed interest rate time deposits .... $4,071,766 686,582 154,315 110,010 53,767 Average interest rate .... 4.15% 4.20% 4.92% 6.39% 4.83% Variable interest rate time deposits .... $ 58,301 26,644 126 -- -- Average interest rate .... 3.20% 3.14% 3.35% -- -- Fixed interest rate borrowings .... $ 5,160 116,000 28,755 260,000 78,000 Average interest rate .... 4.77% 5.41% 5.11% 6.95% 4.15% Variable interest rate borrowings .... $1,398,790 313,000 105,000 5,000 -- Average interest rate .... 1.68% 4.35% 5.66% 5.68% -- RATE-SENSITIVE DERIVATIVE INSTRUMENTS: Pay variable interest rate swaps - LIBOR ... $ 50,000 20,000 -- -- 15,000 Average pay rate .... 2.23% 2.11% -- -- 1.79% Average receive rate .... 7.19% 7.30% -- -- 4.00% Pay variable interest rate swaps - Prime ... $ 55,000 65,000 45,000 -- -- Average pay rate .... 4.75% 4.75% 4.75% -- -- Average receive rate .... 8.40% 8.79% 8.78% -- -- Purchased interest rate floors - Prime ..... $ -- -- -- -- -- Average strike rate .... -- -- -- -- -- (Dollars in thousands) FAIR FAIR PRINCIPAL/NOTIONAL TOTAL VALUE TOTAL VALUE AMOUNT MATURING IN: THEREAFTER 2001 2001 2000 2000 --------- --------- --------- --------- --------- Rate-sensitive assets: Fixed interest rate loans .... 677,702 6,710,525 6,868,183 6,448,988 6,437,516 Average interest rate .... 7.61% 7.93% 8.76% Variable interest rate loans .... 135,265 5,707,392 5,707,392 4,302,899 4,302,468 Average interest rate .... 5.52% 5.29% 9.94% Fixed interest rate securities .... 510,542 1,946,148 1,987,425 1,953,346 1,967,853 Average interest rate .... 6.78% 6.22% 6.48% Variable interest rate securities .... 15,877 46,038 46,829 68,930 69,003 Average interest rate .... 5.54% 6.00% 6.67% Equity securities .... 53,746 53,746 54,033 44,490 45,416 Average interest .... -- -- -- Other interest bearing assets .... -- 425,497 425,497 487,805 487,805 Average interest rate .... -- 6.35% 6.68% Rate-sensitive liabilities: Savings and interest bearing checking ...... 359,838 4,978,449 4,978,449 4,302,835 4,302,405 Average interest rate .... 0.91% 1.39% 3.85% Fixed interest rate time deposits .... 21,626 5,098,066 5,161,101 5,058,307 5,056,283 Average interest rate .... 5.18% 4.24% 6.33% Variable interest rate time deposits .... 89 85,160 85,174 73,751 73,745 Average interest rate .... 3.39% 3.18% 6.03% Fixed interest rate borrowings .... 89,060 576,975 598,970 356,285 346,986 Average interest rate .... 5.36% 5.91% 6.75% Variable interest rate borrowings .... -- 1,821,790 1,831,395 1,524,474 1,519,245 Average interest rate .... -- 2.38% 6.50% Rate-sensitive derivative instruments: Pay variable interest rate swaps - LIBOR ... 15,000 100,000 2,086 180,000 2,389 Average pay rate .... 1.80% 2.08% 6.55% Average receive rate .... 6.00% 6.55% 6.92% Pay variable interest rate swaps - Prime ... -- 165,000 7,173 320,000 1,252 Average pay rate .... -- 4.75% 9.50% Average receive rate .... -- 8.66% 8.76% Purchased interest rate floors - Prime ..... -- -- -- 20,000 -- Average strike rate .... -- -- 8.00% F-42 LIQUIDITY Liquidity represents the availability of funding to meet the needs of depositors, borrowers, and creditors at a reasonable cost, on a timely basis, and without adverse consequences. Synovus' strong capital position, solid core deposit base, and excellent credit ratings are the cornerstones of its liquidity management activities. The Synovus Asset/Liability Management Committee actively analyzes and manages the liquidity position in coordination with similar committees at subsidiary banks. These subsidiaries maintain liquidity in the form of cash on deposit, 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 253 banking offices in four states. The subsidiary banks monitor deposit flow and evaluate alternate pricing structures to retain and grow deposits. Liquidity is also enhanced by the subsidiary banks' strong reputation in the national deposit markets. This reputation allows subsidiary banks to issue longer-term certificates of deposit to enhance their liquidity and funding positions. Certain Synovus subsidiary banks maintain correspondent banking relationships with various national and regional financial organizations. These relationships provide access to short-term borrowings through federal funds lines, which allows Synovus to meet immediate liquidity needs if required. These lines total approximately $2.9 billion and are extended at the ongoing discretion of the correspondent financial institutions. Synovus' strong credit rating is a primary determinant in the continued availability of these lines. Should Synovus' credit rating decline to a level below investment grade, these lines' availability would be significantly diminished. For this reason, Synovus maintains additional sources of liquidity including a collateralized borrowing account with the Federal Reserve Bank. Synovus serves diverse markets. Some of these are rapidly growing areas where loan demand outpaces the generation of deposits. However, through loan participations and federal funds sold among subsidiary banks, these loans can be effectively funded by subsidiaries

having lower local loan demand. Additionally, lending is focused within the local markets served by Synovus, enabling the development of comprehensive banking relationships. Selected Synovus subsidiary banks maintain an additional liquidity source through their membership in the Federal Home Loan Bank. At year-end 2001, these banks had access to additional funding of approximately $1.2 billion, subject to available collateral and Federal Home Loan Bank credit policies, through utilization of Federal Home Loan Bank advances. Additionally, the Parent Company requires cash for various operating needs including dividends to shareholders, business combinations, capital infusions into subsidiaries, the servicing of debt, and the payment of general corporate expenses. The primary source of liquidity for the Parent Company is dividends from the subsidiary banks. As a short-term liquidity source, the Parent Company has access to a $25 million line of credit with an unaffiliated banking organization. The Parent Company 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 utilized this capability in December 2000 by issuing $200 million of five year maturity senior debt. This debt bears a coupon interest rate of 7.25% and is rated "A" by Standard & Poors Corp. and "A2" by Moody's Investor Service. For a complete description of these borrowings and other borrowings by Synovus subsidiaries, see Note 7 to the consolidated financial statements. The consolidated statements of cash flows detail cash flows from operating, investing, and financing activities. Net cash provided by operating activities was $178 million for the year ended December 31, 2001, while financing activities provided $964 million. Investing activities used $1.1 billion of this amount, resulting in a net increase in cash and cash equivalents of $90.1 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 liquidity, capital resources, or operations. Further, management is not aware of any current recommendations by regulatory agencies which, if they were to be implemented, would have such effect. Table 19 sets forth certain information about contractual cash obligations at December 31, 2001. TABLE 19 CONTRACTUAL CASH OBLIGATIONS PAYMENTS DUE AFTER DECEMBER 31, 2001 (In thousands) --- 1 YEAR OR LESS 1 - 3 YEARS 4 - 5 YEARS AFTER 5 YEARS TOTAL -------------- ----------- ----------- ------------ --------- Long term debt $ 57,860 562,755 343,000 89,060 1,052,675 Capital lease obligations 135 133 -- -- 268 Operating leases 106,699 130,566 51,772 21,200 310,237 -------------- ----------- ----------- ------------ --------- Total contractual cash obligations $164,694 693,454 394,772 110,260 1,363,180 ============== =========== =========== ============ ========= In 1997, TSYS entered into an operating lease agreement with a special purpose entity (SPE) for its corporate campus. The business purpose of the SPE was to provide a means of financing TSYS' corporate campus. The assets and liabilities of the SPE consist solely of the cost of the building and the loans from a consortium of banks. Both the cost of the building and the outstanding principal balance of the debt resident within the financial statements of the SPE approximate $93.5 million. The lease, which is guaranteed by Synovus, provides for substantial residual value guarantees. The amount of the residual value guarantees relative to the assets under this lease is approximately $81.4 million. Due to the nature of the lease, no asset or obligation is recorded on Synovus' consolidated balance sheet. The terms of this lease financing arrangement require, among other things, that TSYS maintain certain minimum financial ratios and provide certain information to the lessor. TSYS is also subject to interest rate risk associated with this lease. The payments under the operating lease arrangement, which can be locked in for six month intervals, are tied to the floating London Interbank Offered Rate (LIBOR). In the event that LIBOR rates increase, operating expenses could increase proportionately. F-43 The campus lease expires in November 2002. TSYS has the option to either renew the lease subject to prevailing market rates or purchase the property at its original cost. TSYS is currently evaluating which option to pursue. As a result, TSYS and/or Synovus will have a future cash obligation, with respect to the corporate campus, beyond the lease expiration of November 2002. CAPITAL RESOURCES Synovus has always placed great emphasis on maintaining a strong capital base and continues to exceed regulatory capital requirements. Management is committed to maintaining a capital level sufficient to assure shareholders, customers, and regulators that Synovus is financially sound, and to enable Synovus to sustain an appropriate degree of leverage to provide a desirable level of profitability. Synovus has the ability to generate internal capital growth sufficient to support the asset growth it has experienced. Total shareholders' equity of $1.69 billion represented 10.17% of total assets at December 31, 2001. TABLE 20 CAPITAL RATIOS DECEMBER 31, (Dollars in thousands) ------------------------------------- 2001 2000 ------------ ------------ Tier I capital: Shareholders' equity .... $ 1,694,946 $ 1,417,171 Net unrealized gain on investment securities available for sale .... (26,047) (7,239) Net unrealized gain on cash flow hedges .... (6,081) -- Disallowed intangibles .... (30,703)

(35,246) Minority interest .... 98,638 80,890 ------------ ------------ Total Tier I capital .... 1,730,753 1,455,576 ------------ ------------ Tier II capital: Eligible portion of the allowance for loan losses .... 170,769 147,867 Subordinated and other qualifying debt .... -- 1,240 Eligible portion of unrealized gain on equity securities .... 3,138 682 ------------ ------------ Total Tier II capital .... 173,907 149,789 ------------ ------------ Total risk-based capital .... $ 1,904,660 1,605,365 ============ ========= Total risk-adjusted assets .... $ 14,711,486 12,620,358 ============ ========== Tier I capital ratio .... 11.76% 11.54 Total risk-based capital ratio .... 12.95 12.73 Leverage ratio .... 10.86 10.24 Regulatory minimums (for well-capitalized status): Tier I capital ratio .... 6.00% Total risk-based capital ratio .... 10.00 Leverage ratio .... 5.00 The regulatory banking agencies use a risk-adjusted calculation to aid them in their determination of capital adequacy by weighting assets based on the credit risk associated with on- and off-balance sheet assets. The majority of these risk-weighted assets for Synovus are on-balance sheet assets in the form of loans. A small portion of risk-weighted assets are considered off-balance sheet assets and primarily consist of letters of credit and loan commitments that Synovus enters into in the normal course of business. Capital is categorized into two types: Tier I and Tier II. As a financial holding company, Synovus and its subsidiary banks are required to maintain capital levels required for a well-capitalized institution, as defined in the regulations. The regulatory agencies define a well-capitalized bank as one that has a leverage ratio of at least 5%, a Tier I capital ratio of at least 6%, and a total risk-based capital ratio of at least 10%. At December 31, 2001, Synovus and all subsidiary banks were in excess of the minimum capital requirements with a consolidated Tier I capital ratio of 11.76% and a total risk-based capital ratio of 12.95%, compared to Tier I and total risk-based capital ratios of 11.54% and 12.73%, respectively, in 2000 as shown in Table 20. In addition to the risk-based capital standards, a minimum leverage ratio of 4% is required for the highest-rated financial holding companies that are not undertaking significant expansion programs. An additional 1% to 2% may be required for other companies, depending upon their regulatory ratings and expansion plans. The leverage ratio is defined as Tier I capital divided by quarterly average assets, net of certain intangibles. As of December 31, 2001, Synovus had a leverage ratio of 10.86% compared to 10.24% at December 31, 2000. Both ratios significantly exceed regulatory requirements. Capital levels also exceed 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 financial holding companies and banks. At December 31, 2001, primary and total capital ratios as defined by the Federal Reserve Board were 11.35% and 11.35%, respectively, compared to 10.68% and 10.69%, respectively, at year-end 2000. The 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 services companies. As of December 31, 2001, there were approximately 66,060 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 21 displays high and low stock price quotations of Synovus common stock which are based on actual transactions. TABLE 21 MARKET AND STOCK PRICE INFORMATION HIGH LOW ------ ----- 2001 QUARTER ENDED DECEMBER 31, 2001 .... $28.00 23.00 QUARTER ENDED SEPTEMBER 30, 2001 .... 34.45 24.63 QUARTER ENDED JUNE 30, 2001 .... 31.77 26.00 QUARTER ENDED MARCH 31, 2001 .... 28.31 24.04 2000 Quarter ended December 31, 2000 .... $27.19 19.31 Quarter ended September 30, 2000 .... 21.44 17.94 Quarter ended June 30, 2000 .... 20.94 17.56 Quarter ended March 31, 2000 .... 19.19 14.50 DIVIDENDS It is Synovus' objective to pay out at least one-third of earnings to shareholders in cash dividends. The dividend payout ratio was 47.67%, 47.56%, and 43.70% in 2001, 2000, and 1999, respectively. The total dollar amount of dividends declared increased 18.9% in 2001 to $148.5 million, from $124.9 million in F-44 2000. 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 22 presents the declared and paid dates for recent dividends, as well as per share dividend amounts. TABLE 22 DIVIDENDS PER SHARE DATE DECLARED DATE PAID AMOUNT -------------------- -------------- -------- 2001 DECEMBER 10, 2001 JANUARY 2, 2002 $0.1275 AUGUST 21, 2001 OCTOBER 1, 2001 0.1275 MAY 15, 2001 JULY 2, 2001 0.1275 FEBRUARY 20, 2001 APRIL 2, 2001 0.1275 2000 December 11, 2000 January 2, 2001 $0.1100 September 11, 2000 October 2, 2000 0.1100 May 15, 2000 July 1, 2000 0.1100 March 20, 2000 April 1, 2000 0.1100 COMMITMENTS AND CONTINGENCIES Synovus believes it has sufficient capital, liquidity, and future cash flows from operations to meet operating needs over the next year. Table 19, Table 23, Note 7, and Note 10 to the consolidated financial statements provide additional

information on short-term and long-term borrowings. In the normal course of its business, TSYS maintains processing contracts with its clients. These processing contracts contain commitments, including, but not limited to, minimum standards and time frames against which its performance is measured. In the event TSYS does not meet its contractual commitments with its clients, TSYS may incur penalties and/or certain customers may have the right to terminate their contracts with TSYS. TSYS does not believe that it will fail to meet its contractual commitments to an extent that will result in a material adverse effect on its financial condition or results of operations. Synovus and its subsidiaries are subject to various legal proceedings and claims which arise in the ordinary course of its business. Any litigation is vigorously defended and, in the opinion of management, based on consultation with external legal counsel, any outcome of such litigation would not materially affect the consolidated financial position or results of operations. Currently, multiple lawsuits seeking class action treatment are pending against one of the Alabama banking subsidiaries that involve: (1) payment of service fees or interest rebates to automobile dealers in connection with the assignment of automobile credit sales contracts to that subsidiary; (2) the forced placement of insurance to protect that subsidiary's interest in collateral for which consumer credit customers have failed to obtain or maintain insurance; and (3) the receipt of commissions by that subsidiary in connection with the sale of credit life insurance to its consumer credit customers and the charging of an interest surcharge and a processing fee in connection with consumer loans made by that subsidiary. These lawsuits seek unspecified damages, including punitive damages. Synovus intends to vigorously contest these lawsuits and all other litigation to which Synovus and its subsidiaries are parties. Based upon information presently available, and in light of legal, equitable, and factual 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. SHORT-TERM BORROWINGS The following table sets forth certain information regarding federal funds purchased and securities sold under repurchase agreements, the principal components of short-term borrowings. TABLE 23 SHORT-TERM BORROWINGS (Dollars in thousands) 2001 2000 1999 ---------- --------- ------- Balance at December 31, ... $1,345,822 1,039,900 1,261,391 Weighted average interest rate at December 31, ... 1.67% 6.67 5.49 Maximum month end balance during the year ...... $1,551,534 1,446,393 1,261,391 Average amount outstanding during the year .... $1,153,878 1,248,983 786,954 Weighted average interest rate during the year .... 3.70% 6.28 5.01 INCOME TAX EXPENSE As reported in the consolidated statements of income, income tax expense increased to $178.4 million in 2001, up from $149.2 million in 2000, and $124.0 million in 1999. The effective income tax rate was 36.4%, 36.2%, and 35.5% in 2001, 2000, and 1999, respectively. See Note 15 of the consolidated financial statements for a detailed analysis of income taxes. INFLATION Inflation has an important impact on the growth of total assets in the banking industry and may create a need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Synovus has been able to maintain a high level of equity through retention of an appropriate percentage of its net income. Synovus deals with the effects of inflation by managing its interest rate sensitivity 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 subsidiaries, are funded, for the most part, by shareholders' equity. It also utilizes short-term and long-term debt. The Parent Company is responsible for providing the necessary funds to strengthen the capital of its subsidiaries, acquire new businesses, fund internal growth, pay corporate operating expenses, and pay dividends to its shareholders. These operations are funded by dividends and fees received from subsidiaries, and borrowings from outside sources. In connection with dividend payments to the Parent Company from its subsidiary banks, certain rules and regulations of the various state and federal banking regulatory agencies limit the amount of dividends which may be paid. Approximately $162.6 million in dividends could be paid in 2002 to the Parent Company from its subsidiary banks without prior regulatory approval. Synovus anticipates receiving regulatory approval to allow certain subsidiaries to pay dividends in excess of their respective regulatory limits. F-45 RECENTLY ISSUED ACCOUNTING STANDARDS Synovus adopted SFAS No. 133 and SFAS No. 138 on January 1, 2001. In accordance with the transition provisions of SFAS No. 133, Synovus recorded a net-of-tax cumulative-effect gain of $.8 million in accumulated other comprehensive income to recognize at fair value all derivative instruments that are designated as cash flow hedges. As of December 31, 2001, the net-of-tax fair value of these derivative instruments and the unamortized balance of deferred gains for terminated derivative instruments carried as a component of accumulated other comprehensive income was $6.1 million. Synovus expects to reclassify from accumulated other comprehensive

income approximately $4.1 million as net-of-tax earnings during the next twelve months, as the related payments from interest rate swaps and amortization of deferred gains are recorded. During 2001, Synovus terminated certain cash flow hedges which resulted in a net pre-tax gain of $3.3 million. Such gain is included as a component of accumulated other comprehensive income and is being amortized over the shorter of the remaining contract life or the maturity of the designated asset as an adjustment to interest income. The remaining unamortized deferred gain balance at December 31, 2001 was $2.8 million. Upon adoption of SFAS No. 133, gains and losses on derivative instruments that were previously deferred as adjustments to the carrying amounts of hedged items were not adjusted. In connection with the adoption of SFAS No. 133, on January 1, 2001, Synovus reclassified its investment securities held to maturity portfolio to the available for sale category. In July 2001, the FASB issued Statement No. 141 (SFAS No. 141), "Business Combinations" and Statement No. 142 (SFAS No. 142), "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Synovus adopted the provisions of SFAS No. 141 effective July 1, 2001, and adopted the provisions of SFAS No. 142 effective January 1, 2002. SFAS No. 141 requires upon the adoption of SFAS No. 142 that Synovus evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and make any necessary reclassifications to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, Synovus will be required to reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, Synovus will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period. In connection with SFAS No. 142's transitional goodwill impairment evaluation, the Statement will require Synovus to perform an assessment of whether there is an indication that goodwill (and equity-method goodwill) is impaired as of the date of adoption. To accomplish this, Synovus must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. Synovus has until June 30, 2002 to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and Synovus must perform the second step of the transitional impairment test. In the second step, Synovus must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the statement of income. At December 31, 2001, Synovus has unamortized goodwill in the amount of $27.0 million, which will be subject to the transition provisions of SFAS No. 141 and SFAS No. 142. Amortization expense related to goodwill was $3.0 million and $2.6 million for the years ended December 31, 2001 and December 31, 2000, respectively. Because of the extensive effort needed to comply with adopting SFAS No. 141 and SFAS No. 142, it is not practicable to reasonably estimate the impact of adopting these Statements on the financial statements at the date of this report, including whether Synovus will be required to recognize any transitional impairment losses as the cumulative effect of a change in accounting principle. In August 2001, the FASB issued Statement No. 143 (SFAS No. 143), "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to all entities. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a

long-lived asset, except for certain lease obligations. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not anticipate the adoption of SFAS No. 143 to have a material effect on its financial condition or results of operations. In October 2001, the FASB issued Statement No. 144 (SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144 improves financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and by broadening the presentation of discontinued operations to include more disposal transactions. F-46 SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The provisions are to be applied prospectively. Management does not anticipate the adoption of SFAS No. 144 to have a material effect on its financial condition or results of operations. In November 2001, the FASB released Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred." The FASB Staff Announcement clarified interpretations of EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent", stating that the Staff believes that reimbursements received for out-of-pocket expenses should be characterized as revenue. The reimbursements and corresponding out-of-pocket expenses that meet the criteria for gross reporting, as outlined in the Staff Announcement, are incurred primarily at TSYS. Historically, TSYS has recorded such reimbursements as a reduction of expense, with the largest reimbursed expenses being postage and express courier charges. The Staff Announcement is effective for financial reporting periods beginning after December 15, 2001. Upon application of this Staff Announcement, comparative financial statements for prior periods will be reclassified to provide consistent presentation. Synovus does not expect the new Staff Announcement to have any impact on its financial position or net income. However, TSYS' operating and net income margins will be reduced as a result of the gross-up of revenues and expenses for reimbursable expenses. EARNINGS OUTLOOK Notwithstanding the evolving economic conditions, Synovus is cautiously optimistic that the southeastern economy will support its earnings per share growth targets. Considering these factors, Synovus presently expects to grow earnings per share in 2002 and 2003 by 15-18% annually. In estimating expected growth in earnings per share, Synovus assumed, among other things, that: - Banking services' net income will increase between 12-14% annually, with net interest margins remaining stable. Annual loan growth will be in the 10-11% range, and credit quality will remain solid. - Financial Management Services and insurance revenues will increase between 25-30% annually. - TSYS will increase net income by 20% in 2002 and by at least 20-25% in 2003. - Increases in Financial Services' expenses will not exceed 4% annually over the next two years. FORWARD-LOOKING STATEMENTS Certain statements contained in this Annual Report which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act (the "Act"). These forward-looking statements include, among others, statements regarding management's belief concerning the adequacy of the allowance for loan losses; TSYS' belief with respect to its ability to meet its contractual commitments; management's belief with respect to the economic and interest rate environments and their impact on Synovus; management's belief with respect to the resolution of certain loan delinquencies and the inclusion of all material loans in which doubt exists as to collectibility in nonperforming assets and impaired loans; the expected impact on Synovus of recent accounting pronouncements; Synovus' expected growth in earnings per share for 2002 and 2003 and the assumptions underlying such statements, including, with respect to Synovus' expected increases in banking services' net income and loan growth; expected annual increases in Financial Management Services' revenues; expected annual increases in net income of TSYS; and expected annual increases in Financial Services' expenses. In addition, certain statements in future filings by Synovus with the Securities and Exchange Commission, in press releases, and in oral and written statements made by or with the approval of Synovus which are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, income or loss, earnings or loss per share, the

payment or non-payment of dividends, capital structure, efficiency ratios and other financial terms; (ii) statements of plans and objectives of Synovus or its management or Board of Directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. A number of factors could cause actual results to differ materially from those contemplated by the forward-looking statements in the Annual Report. Many of these factors are beyond Synovus' ability to control or predict. These factors include, but are not limited to: (i) Synovus' inability to increase its revenues derived from Financial Management Services and insurance; (ii) TSYS' inability to achieve its net income goals for the years 2002 through 2003; (iii) Synovus' inability to achieve its net income goals for banking services; (iv) Synovus' inability to control Financial Services' expenses; (v) the strength of the U.S. economy in general and the strength of the local economies in which operations are conducted; (vi) the effects of and changes in trade, monetary and fiscal policies, and laws, including interest rate policies of the Federal Reserve Board; (vii) inflation, interest rate, market and monetary fluctuations; (viii) the timely development of and acceptance of new products and services and perceived overall value of these products and services by users; (ix) changes in consumer spending, borrowing, and saving habits; (x) technological changes are more difficult or expensive than anticipated; (xi) acquisitions; (xii) the ability to increase market share and control expenses; (xiii) the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities, and insurance) with which Synovus and its subsidiaries must comply; (xiv) the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, the Financial Accounting Standards Board, or other authoritative bodies; (xv) changes in Synovus' organization, compensation, and benefit plans; (xvi) the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; (xvii) a deterioration in credit quality or a reduced demand for credit; (xviii) Synovus' inability to successfully manage any impact from slowing economic conditions or consumer spending; (xix) the occurrence of catastrophic events that could impact Synovus or TSYS or its major customers' operating facilities, communication systems and technology or that has a material negative impact on current economic conditions or levels of consumer spending; (xx) successfully managing the potential both for patent protection and patent liability in the context of rapidly developing legal framework for expansive software patent protection; and (xxi) the success of Synovus at managing the risks involved in the foregoing. Such forward-looking statements speak only as of the date on which such statements are made, and Synovus undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events. F-47 SUMMARY OF QUARTERLY FINANCIAL DATA Presented below is a summary of the unaudited consolidated quarterly financial data for the years ended December 31, 2001 and 2000. (In thousands, except per share data) FOURTH THIRD SECOND FIRST QUARTER QUARTER QUARTER QUARTER -------- ------- ------- ------- 2001 INTEREST INCOME .... $269,488 280,753 288,034 292,613 ======== ======= ======= ======= NET INTEREST INCOME .... 170,772 158,718 153,888 146,413 ======== ======= ======= ======= PROVISION FOR LOSSES ON LOANS .... 16,717 10,799 13,170 10,987 ======== ======= ======= ======= INCOME BEFORE INCOME TAXES .... 133,694 123,848 119,386 113,065 ======== ======= ======= ======= NET INCOME .... 85,211 78,905 75,615 71,885 ======== ======= ======= ======= NET INCOME PER SHARE, BASIC ...... .29 .27 .26 .25 ======== ======= ======= ======= NET INCOME PER SHARE, DILUTED .... .29 .27 .26 .25 ======== ======= ======= ======= 2000 Interest income .... $294,972 283,564 269,000 250,269 ======== ======= ======= ======= Net interest income .... 143,542 140,241 141,580 136,969 ======== ======= ======= ======= Provision for losses on loans .... 11,096 9,622 12,712 10,911 ======== ======= ======= ======= Income before income taxes .... 117,102 101,467 97,329 95,837 ======== ======= ======= ======= Net income .... 74,682 64,731 61,752 61,392 ======== ======= ======= ======= Net income per share, basic ...... .26 .23 .22 .22 ======== ======= ======= ======= Net income per share, diluted .... .26 .23 .22 .22 ======== ======= ======= ======= F-48 APPENDIX A SYNOVUS FINANCIAL CORP. Post Office Box 120, Columbus, Georgia 31902-0120 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD April 24, 2002 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. By signing on the reverse side, I hereby appoint

Thomas J. Prescott and Liliana McDaniel as Proxies, each with full power of substitution, and hereby authorize them to represent and to vote as designated below all the shares of common stock of Synovus Financial Corp. held on record by me or with respect to which I am entitled to vote on February 15, 2002 at the Annual Meeting of Shareholders to be held on April 24, 2002 or any adjournment thereof. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN ACCORDANCE WITH ANY INSTRUCTION INDICATED HEREIN. IF NO INDICATION IS MADE, IT WILL BE VOTED IN FAVOR OF THE PROPOSALS LISTED HEREIN. The Board of Directors is not aware of any matters likely to be presented for action at the Annual Meeting of Shareholders other than the matters listed herein. However, if any other matters are properly brought before the Annual Meeting, the persons named in this Proxy or their substitutes will vote upon such other matters in accordance with their best judgement. This Proxy is revocable at any time prior to its use. By signing on the reverse side, I acknowledge receipt of NOTICE of said ANNUAL MEETING and said PROXY STATEMENT and hereby revoke all Proxies heretofore given by me for said ANNUAL MEETING. IN ADDITION TO VOTING AND SIGNING THE PROXY, YOU MUST ALSO COMPLETE AND SIGN THE CERTIFICATION TO BE ENTITLED TO TEN VOTES PER SHARE. IF YOU DO NOT VOTE BY PHONE OR OVER THE INTERNET, PLEASE VOTE, DATE AND SIGN ON THE REVERSE SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. Please sign exactly as your name appears on this Proxy. When shares are held by joint tenants, both must sign. When signing in a fiduciary or representative capacity, give your full title as such. If a corporation, please sign in full corporate name by an authorized officer. If a partnership, please sign in full partnership name by an authorized person. [X] PLEASE MARK VOTES AS IN THIS EXAMPLE PROXY CERTIFICATE OF BENEFICIAL OWNER THE BOARD OF DIRECTORS RECOMMENDS A INSTRUCTIONS:Please provide the required VOTE FOR THE PROPOSALS LISTED BELOW. information. THIS CERTIFICATE MUST BE SIGNED TO BE VALID. If you do not com- 1. Proposal to elect as directors plete and sign this Certificate of Bene- to serve until the Annual ficial Owner, your shares covered by the Meeting of Shareholders in 2005. Proxy to the left will be voted on the basis of one vote per share. (01) Daniel P. Amos Yes No (02) Richard W. Anthony A. Are you the beneficial owner, [ ] [ ] (03) Joe E. Beverly in all capacities, of more than (04) Walter M. Deriso, Jr. 1,139,063 shares of Synovus Common (05) Elizabeth R. James Stock? (06) Mason H. Lampton (07) Elizabeth C. Ogie If you answered "No" to Question A, (08) Melvin T. Stith do not answer B or C. Your shares represented by the Proxy to the left With- For all are entitled to ten votes per share. For hold Except [ ] [ ] [ ] Yes No B. If your answer to question A [ ] [ ] INSTRUCTION: To withhold authority to was "Yes", have you acquired vote for any individual nominee, mark more than 1,139,063 shares of the "For All Except" box and strike a Synovus Common Stock since line through that nominee's name in the February 15, 1998 (including list above. Your shares will be voted shares received as a stock dividend)? for the remaining nominee(s). If you answered "No" to Question B, do not answer Question C. Your shares 2. Proposal to Approve the represented by the Proxy to the left Synovus Financial Corp. 2002 are entitled to ten votes per share. Long-Term Incentive Plan. C. If you answered "Yes" to Question B, please describe the date and nature For Against Abstain of your acquisition of all shares of [ ] [ ] [ ] Synovus Common Stock you have acquired since February 15, 1998 CONTROL NUMBER: (including shares acquired as a RECORD DATE SHARES: result of a stock dividend). Your re- sponse to Question C will determine which of the shares represented by the Proxy will be entitled to ten votes per share. ____ ____ ____ To the best of my knowledge and belief, the information provided herein is true and correct. I understand that the Board of Directors of Synovus Financial Corp. may require me to provide additional information or evidence to document my beneficial ownership of these shares and I agree to provide such evidence if so requested. Please be sure to sign and [Date] date this Proxy. [Date] Shareholder Shareholder sign here Co-owner sign here sign here Co-owner sign here SYNOVUS FINANCIAL CORP. DETATCH CARD DETATCH CARD VOTE BY TELEPHONE VOTE BY INTERNET It's fast, convenient, and immediate! It's fast, convenient, and your vote Call Toll-Free on a Touch-Tone Phone is immediately confirmed and posted. Follow these four easy steps: Follow these four easy steps: 1. Read the accompanying Proxy 1. Read the accompanying Proxy Statement and Proxy Card. Statement and Proxy Card. 2. Call the toll-free number 2. Go to the Website 1-877-PRX-VOTE (1-877-779-8683). http://www.eproxyvote.com/snv There is NO CHARGE for this call. 3. Enter your Control Number located on your Proxy Card. 3. Enter your Control Number located 4. Follow the instructions provided. on your Proxy Card. 4. Follow the recorded instructions. Your vote is important! Your vote is important! Call 1-877-PRX-VOTE anytime! Go to http://www.eproxyvote.com/snv anytime! DO NOT RETURN YOUR

PROXY CARD IF YOU ARE VOTING BY TELEPHONE OR INTERNET. APPENDIX B SYNOVUS FINANCIAL CORP. 2002 LONG-TERM INCENTIVE PLAN SECTION 1. General Purpose of Plan ---------------------------------- The name of this plan is the Synovus Financial Corp. 2002 Long-Term Incentive Plan (the "Plan"). The purpose of the Plan is to enable Synovus Financial Corp. (the "Corporation") and its Subsidiaries to attract, retain, motivate, and reward employees and non-employee directors who make a significant contribution to the Corporation's long-term success, and to enable such employees and non-employee directors to acquire and maintain an equity interest in Synovus Financial Corp. SECTION 2. Definitions ---------------------- For purposes of the Plan, the following terms shall be defined as set forth below: a. "Award" means any award of Stock Options, Stock Appreciation Rights, Restricted Stock, or Performance Awards, whether in cash or stock or a combination thereof, authorized by the Committee under this Plan. b. "Board" means the Board of Directors of the Corporation or the Executive Committee of the Board of Directors of the Corporation. c. "Cause" means a felony conviction of a Participant or the failure of a Participant to contest prosecution for a felony, or a Participant's willful misconduct, dishonesty, embezzlement, fraud, deceit or civil rights violations, any of which acts cause the Corporation or any Subsidiary liability or loss, as determined by the Board. d. "Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto. e. "Committee" means the Compensation Committee, or any other committee of the Board appointed for the purpose of administering the Plan, which committee shall consist exclusively of two or more Disinterested Persons, at least two of whom are directors of both the Corporation and of TSYS. In the context of Awards made to employees of TSYS, the term "Committee" shall mean only those members of the Committee who are directors of both the Corporation and of TSYS. f. "Commission" means the Securities and Exchange Commission. g. "Corporation" means Synovus Financial Corp. h. "Disability" means total and permanent physical or mental disability or incapacity of an employee to fulfill at any time or from time to time his normal duties as an employee, as certified in writing by two competent physicians, one of which shall be selected by the Committee and the other of which shall be selected by the employee or his duly appointed guardian or legal or personal representative. In addition, for purposes of determining Disability as it applies to any Incentive Stock Option, the term "Disability" shall be interpreted consistently with Code Sections 421-424. i. "Disinterested Person" is a person who meets both (i) the definition of "disinterested person" as set forth in Rule 16b-3 as promulgated by the Commission under the Exchange Act, or any successor 1 definition adopted by the Commission, and (ii) the definition of "outside director" as set forth in Code Section 162(m), as amended from time to time. j. "Early Retirement" means retirement from active employment with the Corporation or any Subsidiary pursuant to the early retirement provisions of the applicable Corporation or Subsidiary pension plan. k. "Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto. l. "Fair Market Value" means, as of any given date, the closing price of the Stock on such date (or if no transactions were reported on such date on the next preceding date on which transactions were so reported) in the principal market in which such Stock is traded on such date as reported in The Wall Street Journal (or any other publication designated by the Committee) except that, with respect to grants of Restricted Stock, "Fair Market Value" for Restricted Stock on the date of grant shall be determined as of the time and date of the Restricted Stock grant by the Compensation Committee. m. "Incentive Stock Option" means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code. n. "Non-Employee Director" means a member of the Board who is not an employee of the Corporation or its Subsidiaries. o. "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option. p. "Normal Retirement" means retirement from active employment with the Corporation or any Subsidiary on or after the normal retirement date specified in the applicable Corporation or Subsidiary pension plan. q. "Participant" means any employee of the Corporation and its Subsidiaries or Non-Employee Director designated by the Committee to receive an Award under the Plan. r. "Performance Award" means an award of shares of Stock or cash to a Participant pursuant to Section 9 contingent upon achieving certain performance goals. s. "Plan" means this Synovus Financial Corp. 2002 Long-Term Incentive Plan. t. "Restricted Stock" means an award of shares of Stock that are subject to restrictions under Section 8. u. "Retirement" means Normal or Early Retirement under the applicable Corporation or Subsidiary pension plan. v. "Stock" means the common stock of the Corporation or any successor corporation. w. "Stock Appreciation Right" means a right granted under Section 7, which entitles the holder to receive a cash payment or an award of Stock or, if applicable, as a credit against the purchase price of a related Stock Option, in an amount equal to the difference between (i) the Fair Market Value of the Stock covered by such right at the date the right is granted and (ii) the Fair Market Value 2 of the Stock covered by such right at the date the right is exercised, unless otherwise determined by

the Committee pursuant to Section 7, multiplied by the number of shares covered by the right. x. "Stock Option" means any option to purchase shares of Stock granted to Participants pursuant to Section 6. y. "Subsidiary" means any corporation (other than Synovus Financial Corp.) in an unbroken chain of corporations beginning with the Corporation if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain. z. "TSYS" means Total System Services, Inc., a Subsidiary of the Corporation of which approximately 19% of the stock is publicly held. SECTION 3. Administration ------------------------- The Plan shall be administered by the Committee, at least two of whom are directors of both the Corporation and of TSYS, which Committee shall at all times consist of not less than two Disinterested Persons. Whenever under this Plan, any act or decision is to be made with respect to Awards made to employees of TSYS, including without limitation the selection of TSYS employees for the grant of Awards and the establishment, administration and certification of attainment of relevant performance goals, if any, such act or decision shall be made by, and the term "Committee" in that context shall mean, only those members of the Committee who are directors of both the Corporation and of TSYS. The Committee shall have the power and authority to grant to eligible Participants, pursuant to the terms of the Plan: (i) Stock Options; (ii) Stock Appreciation Rights; (iii) Restricted Stock; or (iv) Performance Awards. In particular, the Committee shall have the authority: (i) to select the employees of the Corporation and its Subsidiaries and Non-Employee Directors to whom Stock Options, Stock Appreciation Rights, Restricted Stock, or Performance Awards or a combination of the foregoing from time to time will be granted hereunder; (ii) to grant Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, or Performance Awards, or a combination of the foregoing, hereunder; (iii) to determine the number of shares of Stock to be covered by each such Award granted hereunder; (iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder including, but not limited to, any restriction on any Award and/or the shares of Stock relating thereto based on performance and/or such other factors as the Committee may determine, in its sole discretion, and any vesting acceleration features based on performance and/or such other factors as the Committee may determine, in its sole discretion; (v) to determine whether, to what extent and under what circumstances Stock and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at 3 the election of a Participant, including providing for and determining the amount (if any) of deemed earnings on any deferred amount during any deferral period. Subject to Section 10, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Corporation and all Plan Participants. SECTION 4. Stock Subject to Plan -------------------------------- The total number of shares of Stock reserved and available for distribution under the Plan shall be 14,000,000. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. If any shares of Stock that have been subject to option cease to be subject to option without having been exercised, or if any shares subject to any Restricted Stock, Stock Appreciation Rights, or Performance Awards granted hereunder are forfeited or such Awards are otherwise terminated without having been exercised, such shares shall again be available for distribution in connection with future Awards under the Plan in each case to the full extent available pursuant to the rules and interpretations of the Securities and Exchange Commission under Section 16 of the Exchange Act. In the event that prior to the Award's cancellation, termination, expiration, or lapse, the holder of the Award at any time received one or more "benefits of ownership" pursuant to such Award (as defined by the Securities and Exchange Commission, pursuant to any rule or interpretation promulgated under Section 16 of the Exchange Act), the Stock subject to such Award shall not be available for regrant under the Plan. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, or other change in corporate structure affecting the Stock, a substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, in the number and option price of shares subject to outstanding Stock Options granted under the Plan and in the number of shares subject to Stock Appreciation Rights, Restricted Stock or Performance Awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, in order to preserve each Participant's rights substantially proportionate to the Participant's rights existing prior to such event, provided that the number of shares subject to any Award shall always be a whole number. Such adjusted option price shall also be used to determine the amount payable by the Corporation upon the exercise of any Stock Appreciation Rights associated

with any Stock Option the price of which is adjusted. Notwithstanding any provision in the Plan to the contrary, the maximum number of shares of Stock with respect to one or more Awards that may be granted to any one Participant in any calendar year shall be 2,000,000. SECTION 5. Eligibility ---------------------- Any employee of the Corporation or any of its Subsidiaries or any Non-Employee Director is eligible to be granted Stock Options, Stock Appreciation Rights, Restricted Stock or Performance Awards. The Participants under the Plan shall be selected from time to time by the Committee, in its sole discretion, from among those 4 eligible, and the Committee shall determine, in its sole discretion, the number of shares covered by each Award or grant. SECTION 6. Stock Options ------------------------ Stock Options may be granted either alone or in addition to other Awards granted under the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve, and the provisions of Stock Option Awards need not be the same with respect to each optionee. The Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options (subject to the provisions of Section 15 of the Plan) and (ii) Non-Qualified Stock Options. The Committee shall have the authority to grant any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Option Price Adjustment Rights or Stock Appreciation Rights); provided, however, that Non-Employee Directors shall be eligible to receive only Non-Qualified Stock Options, and shall not be eligible to receive Incentive Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify either the Plan or any Incentive Stock Option under Section 422 of the Code. Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable: (a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant. The option price per share of Stock may be equal to or more or less than the Fair Market Value of the Stock on the date of grant, except that the option price for any Incentive Stock Option shall be not less than 100% of the Fair Market Value of the Stock on the date of the grant of the Stock Option (determined without regard to any Stock Appreciation Rights). If the option is an Incentive Stock Option and if the employee to whom the Incentive Stock Option is granted owns directly or indirectly more than 10% of the total combined voting power of all classes of Stock immediately before the grant of the option, then the option price per share of Stock must be at least 110% of the Fair Market Value of the Stock on the date of grant. (b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten years after the date such Stock Option is granted. If the option is an Incentive Stock Option and if the employee to whom the Incentive Stock Option is granted owns directly or indirectly more than 10% of the total combined voting power of all classes of Stock immediately before the grant of the option, then the term of the option may not exceed five years. (c) Exercisability. Subject to paragraph (j) of this Section 6 with respect to Incentive Stock Options, Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant, provided, however, that except as provided in paragraphs (f) and (g) of Section 6, unless a longer vesting period is otherwise determined by the 5 Committee at grant, no Stock Option shall be exercisable for a period of six months after the date of the grant of the option. If the Committee provides, in its discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provision at any time in whole or in part based on performance and/or such other factors as the Committee may determine in its sole discretion. (d) Method of Exercise. Stock Options may be exercised in whole or in part at any time during the exercise period described in Section 6(c) by giving written notice of exercise to the Corporation specifying the number of shares to be purchased, accompanied by payment in full of the purchase price, in cash, by check or such other instrument as may be acceptable to the Committee. If approved and as determined by the Committee, in its sole discretion, at or after grant, payment in full or in part may also be made in the form of unrestricted Stock owned by the optionee (based on the Fair Market Value of the Stock on the date the option is exercised, as determined by the Committee). Payment of the exercise price of a Stock Option and any withholding tax due at exercise also may be made through any program or procedure (including but not limited to a broker-dealer cashless exercise program) if approved by the Committee. No shares of Stock resulting from the exercise of a Stock Option shall be issued until full payment therefor has been made. An optionee shall have the rights to dividends or other rights of a stockholder with respect to shares subject to the option when the optionee has given written notice of exercise and has paid in full for such shares. (e) Transferability of Options. (1)

Incentive Stock Options. No Incentive Stock Option shall be transferable by the optionee, otherwise than by will or by the laws of descent and distribution, or be subject to attachment, execution or similar process. All Incentive Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee. (2) Non-Qualified Stock Options. Non-Qualified Stock Options shall likewise be non-transferable by the optionee, otherwise than by will or by the laws of descent and distribution, and not subject to attachment, execution or similar process; provided, however, that the Committee may by resolution or after grant designate existing or future Non-Qualified Stock Options as "transferable," meaning that the optionee may sign an agreement which transfers all or a portion of such Non-Qualified Stock Option (either exercisable or non-exercisable) to (A) a member of the optionee's Immediate Family, (B) any trust or trusts in which members of the optionee's Immediate Family have more than a fifty percent (50%) beneficial interest, (C) any entity in which optionee and/or members of the optionee's Immediate Family own more than fifty percent (50%) of the voting interests, or (D) any foundation in which optionee and/or optionee's Immediate Family members control the management of the foundation's assets, subject to such terms and conditions as the Committee may establish. The form of agreement pursuant to which such options are transferred must be approved by the Committee and executed by the optionee, transferee and the Company. Following transfer, any such options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, except that the term "optionee" shall be deemed to refer to the transferee subject to any terms and conditions established by the Committee. Subsequent transfers of such transferred options shall be prohibited, except by will or the laws of descent and distribution. For purposes of this Subsection, "Immediate Family" means the optionee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, mother-in-law, father-in-law, 6 son-in-law, daughter-in-law, brother-in-law, sister-in-law, nephew or niece of the optionee (including by adoption), and any person sharing the optionee's household (other than a tenant or employee). (f) Termination by Death (other than by suicide). Unless otherwise determined by the Committee at or after grant, if: (i) any optionee who is an employee terminates employment with the Corporation or any Subsidiary by reason of death (other than by suicide), or (ii) any optionee who is a Non-Employee Director terminates service on the Board by reason of death (other than by suicide), then any Stock Option held by such optionee may thereafter be immediately exercised, to the extent then exercisable (or on such accelerated basis as the Committee shall determine at or after grant), by the legal representative of the estate or by the legatee of the optionee under the will of the optionee until the expiration of the stated term of such Stock Option. (g) Termination by Reason of Disability. Unless otherwise determined by the Committee at or after grant, if: (i) any optionee who is an employee terminates employment with the Corporation or any Subsidiary by reason of Disability, or (ii) any optionee who is a Non-Employee Director terminates service on the Board by reason of Disability, then any Stock Option held by such optionee may thereafter be exercised, to the extent it was exercisable at the time of termination due to Disability (or on such accelerated basis as the Committee shall determine at or after grant), until the expiration of the stated term of such Stock Option. In the event of termination of employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option. (h) Termination by Reason of Retirement. Unless otherwise determined by the Committee at or after grant, if: (i) any optionee who is an employee terminates employment with the Corporation or any Subsidiary by reason of Normal or Early Retirement, or (ii) any optionee who is a Non-Employee Director retires from the Board pursuant to the provisions of the Corporation's By-laws, then any Stock Option held by such optionee may thereafter be exercised to the extent it was exercisable at the time of such Retirement (or on such accelerated basis as the Committee shall determine at or after grant), but may not be exercised after the expiration of the stated term of such Stock Option; and, provided that if the optionee dies within such period any unexercised Stock Option held by such optionee shall thereafter be exercisable, to the extent to which it was exercisable at the time of death (or on such accelerated basis as the Committee shall determine at or after grant), for the remainder of the stated term of the Stock Option. In the event of termination of employment of an optionee who is an employee by reason of Retirement, if an Incentive Stock Option is exercised after the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option. (i) Other Termination. Unless otherwise determined by the Committee at or after grant, if: (i) an optionee who is an employee terminates employment with the Corporation or any Subsidiary for Cause or for death by reason of suicide or for any reason other than Disability or Normal or Early Retirement or death other than by suicide, or (ii) any optionee who is a Non-Employee Director terminates service with the Board for any reason other than death (excluding suicide),

Disability or retirement pursuant to the provisions of the Corporation's By-laws, then any Stock Option held by such optionee shall thereupon terminate, except that such Stock Option held by an employee optionee may be exercised to the extent such Stock Option could have been exercised on the date of cessation of employment for the lesser of three months from the date of termination or the balance of such Stock Option's term if the optionee's employment with the Corporation or any Subsidiary is involuntarily terminated by the optionee's employer without Cause. 7 (j) Limit on Value of Incentive Stock Options First Exercisable Annually. The aggregate Fair Market Value (determined at the time of grant) of the Stock for which "incentive stock options" within the meaning of Section 422 of the Code are exercisable for the first time by an optionee during any calendar year under the Plan (and/or any other stock option plans of the Corporation or any Subsidiary) shall not exceed $100,000. SECTION 7. Stock Appreciation Rights ------------------------------------ (a) Grant and Exercise When Granted in Conjunction With Stock Options. Stock Appreciation Rights may be granted alone or in conjunction with all or part of any Stock Option granted under the Plan and may contain terms and conditions different from those of the related Stock Option, except as otherwise provided below. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Non-Qualified Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Incentive Stock Option. A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, except that, unless otherwise provided by the Committee at the time of grant, a Stock Appreciation Right granted with respect to less than the full number of shares covered by a related Stock Option shall only be reduced if and to the extent that the number of shares covered by the exercise or termination of the related Stock Option exceeds the number of shares not covered by the Stock Appreciation Right. A Stock Appreciation Right may be exercised by an optionee, in accordance with paragraph (c) of this Section 7, by surrendering the applicable portion of the related Stock Option. Upon such exercise and surrender, the optionee shall be entitled to receive an amount determined in the manner prescribed in paragraph (c) of this Section 7. Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the related Stock Appreciation Rights have been exercised. (b) Grant and Exercise When Granted Alone. Stock Appreciation Rights may be granted at the discretion of the Committee in a manner not related to an award of a Stock Option. The Committee shall have the discretion to determine the terms and conditions of any Stock Appreciation Rights not related to a Stock Option Award. A Stock Appreciation Right granted under this Section 7(b) is not exercisable for a period of six months from the date of grant, unless a longer period is otherwise determined by the Committee. The Stock Appreciation Right, granted under Section 7(b), shall be exercisable in accordance with Section 7(c) over a period not to exceed ten years. Any Stock Appreciation Right which is outstanding on the last day of the exercisable period shall be automatically exercised on such date for cash or Common Stock, as determined by the Committee, without any action by the holder if, on that date, the Fair Market Value of the Stock exceeds the exercise price of the Stock Appreciation Right. (c) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following: 8 (i) Stock Appreciation Rights granted pursuant to Section 7(a) shall be exercisable only at such time or times and to the extent that the Stock Options to which the Stock Appreciation Rights relate shall be exercisable in accordance with the provisions of Section 6 and this Section 7 of the Plan; provided, however, that any Stock Appreciation Right granted subsequent to the grant of the related Stock Option shall not be exercisable during the first six months of the term of the Stock Appreciation Right, except that this additional limitation shall not apply in the event of death other than by suicide or Disability of the optionee prior to the expiration of the six-month period. (ii) Upon the exercise of a Stock Appreciation Right granted pursuant to Section 7(a), an optionee shall be entitled to receive an amount in cash or shares of Stock equal in value to the excess of the Fair Market Value of one share of Stock over the option price per share specified in the related Stock Option, multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment. Upon the exercise of a Stock Appreciation Right granted pursuant to Section 7(b), the holder shall be entitled to receive an amount in cash or shares of Stock equal in value to the excess of the Fair Market Value of one share of Stock over the Fair Market Value of one share of Stock at the date the Stock Appreciation Right was granted multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment. (iii)No Stock Appreciation Right shall be transferable by the holder, other than by will or the laws of descent and

distribution, or be subject to attachment, execution or similar process. All Stock Appreciation Rights shall be exercisable, during the holder's lifetime, only by the holder. (iv) Upon the exercise of a Stock Appreciation Right granted pursuant to Section 7(a), the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 4 of the Plan on the number of shares of Stock to be issued under the Plan. (v) A Stock Appreciation Right granted in connection with an Incentive Stock Option pursuant to Section 7(a), may be exercised only if and when the market price of the Stock subject to the Incentive Stock Option exceeds the exercise price of such Stock Option. (vi) In its sole discretion, the Committee may provide, at the time of grant of a Stock Appreciation Right under this Section 7, that such Stock Appreciation Right can be exercised only in the event of a "Change of Control" (as defined in Section 12 below). Furthermore, the Committee may provide, at the time of grant of any Stock Appreciation Right, that such Stock Appreciation Right can be exercised only upon the attainment of specified performance goals or other such criteria as the Committee may determine in its sole discretion. (vii)In the discretion of the Committee, if the Plan is approved by the shareholders of the Corporation in accordance with Section 15 of the Plan, a Stock Appreciation Right may provide that any exercise by a Participant of all or a portion of a Stock Appreciation Right for cash, may only be made during the period beginning on the 9 third business day following the date of the Corporation's release of its quarterly or annual summary statements of earnings to the public and ending on the twelfth business day following such date; provided, however, that the foregoing shall not apply to any exercise by a Participant of a Stock Appreciation Right for cash where the date of exercise is automatic or fixed in advance under the Plan and is outside the control of the Participant. SECTION 8. Restricted Stock --------------------------- (a) Administration. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the employees of the Corporation and its Subsidiaries and Non-Employee Directors to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price, if any, to be paid by the recipient of Restricted Stock (subject to Section 8(b) hereof), the time or times within which such Awards may be subject to forfeiture, the nature of the restrictions, including any performance requirements, the circumstances under which restrictions will lapse and all other conditions of the Awards. The Committee may also condition the grant of Restricted Stock upon the attainment of specified performance goals, or such other criteria as the Committee may determine, in its sole discretion. The provisions of Restricted Stock Awards need not be the same with respect to each recipient. (b) Awards and Certificates. The prospective recipient of an Award of shares of Restricted Stock shall not have any rights with respect to such Award, unless and until such recipient has executed an agreement evidencing the Award (a "Restricted Stock Award Agreement") and has delivered a fully executed copy thereof to the Corporation, and has otherwise complied with the then applicable terms and conditions. (i) Awards of Restricted Stock must be accepted within a period of thirty days (or such shorter period as the Committee may specify) after the Award date by executing a Restricted Stock Award Agreement and paying whatever price, if any, is required. (ii) Each Participant who is awarded Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock to be held in escrow as described below. Such certificate shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form: "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Synovus Financial Corp. 2002 Long-Term Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and Synovus Financial Corp. Copies of such Plan and Agreement are on file in the offices of Synovus Financial Corp., One Arsenal Place, 901 Front Avenue, Suite 301, Columbus, Georgia, 31901." (iii)The Committee shall require that the stock certificate evidencing such shares be held in escrow by Synovus Trust Company ("STC"), or any other escrow agent designated by the Committee until the restrictions thereon shall have lapsed, and that, as a 10 condition of any Restricted Stock Award, the Participant shall have delivered a stock power, endorsed in blank, relating to the Stock covered by such Award. In the event the Participant has obtained a loan to purchase the Restricted Stock or to pay any taxes due with respect to the Restricted Stock, STC or other escrow agent shall have the right to require that the shares continue to be held in escrow until such loan is repaid. (c) Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to this Section 8 shall be subject to the following restrictions and conditions: (i) Subject to the provisions of this Plan and Restricted Stock Award Agreements, during the period of six months after the Award or such longer period as may be set by the Committee commencing on the grant date (the "Restriction Period"), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock awarded under the Plan. Within these limits, the

Committee may, in its sole discretion, provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part based on performance and/or such other factors as the Committee may determine, in its sole discretion. Notwithstanding the foregoing, the minimum Restriction Period for the lapse of all restrictions on Restricted Stock shall be three (3) years. (ii) Except as provided in paragraph (c)(i) of this Section 8, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a stockholder of the Corporation, including the right to receive any dividends, unless the Committee shall declare otherwise at the time of the Award. Dividends paid in cash with respect to shares of Restricted Stock shall not be subject to any restrictions or subject to forfeiture. Dividends paid in Stock of the Corporation or Stock received in connection with a stock split with respect to Restricted Stock shall be subject to the same restrictions as on such Restricted Stock. Certificates for shares of unrestricted Stock shall be delivered to the Participant promptly after, and only after, the period of forfeiture shall expire without forfeiture in respect of such shares of Restricted Stock and the repayment of any loans obtained to purchase the Restricted Stock or to pay any taxes due with respect to the Restricted Stock. (iii)Subject to the provisions of the Restricted Stock Award Agreement and this Section 8, upon termination of employment for any reason during the Restriction Period, all shares still subject to restriction (together with any price paid for such shares by the Participant) shall be forfeited by the Participant, unless otherwise determined by the Committee. (iv) The Committee may, in its sole discretion, waive in whole or in part any or all restrictions with respect to any Participant's shares of Restricted Stock, such as in the event of the Participant's Retirement, Disability or Death or in the other extraordinary, nonrecurring situations. SECTION 9. Performance Awards ----------------------------- (a) Administration. Shares of Stock and/or a payment in cash may be distributed under the Plan to an employee upon the attainment of performance objectives, as a Performance Award. The 11 Committee shall determine the employees of the Corporation and its Subsidiaries and Non-Employee Directors to whom Performance Awards are granted, the terms and conditions of the performance objectives, the term of the performance period (the minimum performance period term shall be one year), and the value and form of the payment of the Performance Award. (b) Performance Objectives. The Committee, in its sole discretion may establish, under this Section 9, performance objectives either in terms of Corporation-wide objectives or in terms of objectives that are related to the specific performance of an employee or a bank, a group, division, department, or Subsidiary within the Corporation in which a Participant who is an employee is employed. A minimum level of performance, at the discretion of the Committee, may be established. If, at the end of the performance period, the specified objectives have been attained, the Participant is deemed to have fully earned the Performance Award. If such performance objectives are only partially attained, the Participant may be deemed by the Committee to have partly earned the Performance Award and would become eligible to receive a portion of the total Award, as determined by the Committee. If a required minimum level of achievement has not been met, as determined by the Committee, the Participant is entitled to no portion of the Performance Award. If, at the end of the performance period, performance exceeds the target, the Participant, at the Committee's discretion, may receive a multiple of the Performance Award. The Committee may adjust the payment of Awards or the performance objectives if events occur or circumstances arise which would cause a particular payment or set of performance objectives to be inappropriate as a measure of performance. (c) Terms and Conditions. A Participant to whom a Performance Award has been granted is given performance objectives to be reached over a specified period, the "performance period." Generally this period shall be not less than one year. Any Participant granted a Performance Award pursuant to this Section 9 who by reason of death (other than by suicide), Disability or Retirement (or, in the case of a Non-Employee Director, retires from the Board pursuant to the provisions of the Corporation's By-laws) either terminates employment or ceases service as a member of the Board before the end of the performance period is entitled to receive a portion of any earned Performance Award. The Committee, in its discretion, will determine the amount of the Performance Award earned, if any, and the time at which payment will be made. A Participant who terminates employment for any other reason, including death by suicide, forfeits all rights under the Performance Award. SECTION 10. Amendments and Termination ------------------------------------- The Board may amend, alter, or discontinue the Plan at any time, but no amendment, alteration, or discontinuation shall be made which affects an existing Award under the Plan without the optionee's or Participant's consent. If stockholder approval of this Plan is obtained, no amendment, alteration or discontinuation shall be made by the Board which, without the approval of the stockholders, would: (a) increase the total number of shares reserved for the purpose of the Plan, except as provided for in accordance with Section 4 of the Plan; 12 (b) decrease the option price of any Stock Option to less than 100% of the Fair Market Value on the date of the granting of the option, except as provided for in accordance with Section 4 of

the Plan; (c) change the Participants or class of Participants eligible to participate in the Plan; (d) extend the maximum option period under paragraph (b) of Section 6 of the Plan; or (e) materially increase in any other way the benefits accruing to Participants. The Committee may amend the terms of any Award or option theretofore granted, prospectively or retroactively, but no such amendment shall affect an existing Award under the Plan without the Participant's consent. In addition, no such amendment shall have the effect of repricing previously granted Stock Options by lowering the exercise price of any previously granted Stock Options, or cancelling outstanding Stock Options with subsequent replacements or regrant of Stock Options with lower exercise prices. SECTION 11. Change of Control ----------------------------- The following provisions shall apply in the event of a "Change of Control," as defined in this Section 11: (a) Unless otherwise determined by the Committee at grant, in the event of a "Change of Control" as defined in paragraph (c) of this Section 11, the vesting of any outstanding Stock Options, Stock Appreciation Rights, Restricted Stock or Performance Awards shall be accelerated so that all Awards not previously exercisable and vested are fully exercisable and vested. (b) Unless otherwise determined by the Committee at grant, if a Participant who is an employee terminates employment for any reason following a Change of Control, any outstanding Stock Options, Stock Appreciation Rights, Restricted Stock or Performance Awards granted to the Participant that are not fully exercisable and vested shall become fully exercisable and vested as of the date of such termination of employment and any obligations to pay amounts to the Corporation or any Subsidiary in connection with an Award shall be terminated as of the date of such termination of employment. (c) For purposes of this Section 11, a "Change of Control" means the happening of any of the following: (i) when any "person," as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Corporation or a Subsidiary or any Corporation employee benefit plan (including its trustee)), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (ii) the occurrence of a transaction requiring stockholder approval for the acquisition of the Corporation by an entity other than the Corporation or a Subsidiary through purchase of assets, or by merger, or otherwise; (iii)the filing of an application with any regulatory authority having jurisdiction over the ownership of the Corporation by any "person," as defined in the preceding paragraph, 13 to acquire 20% or more of the combined voting power of the Corporation's then outstanding securities; or (iv) the occurrence of a "Triggering Event" as such term is defined in the Rights Agreement dated April 28, 1999, by and between the Corporation and Trust Company Bank, the provisions of which are incorporated herein by this reference. (d) For purposes of this Section 11, a "Change of Control" shall not result from any transaction precipitated by the Corporation's insolvency, appointment of a conservator, or determination by a regulatory agency that the Corporation is insolvent, nor from any transaction initiated by the Corporation in regard to creating a holding company of which the Corporation would be a primary entity, nor from any transaction initiated by the Corporation in regard to converting from a publicly traded company to a privately held company. SECTION 12. General Provisions ------------------------------ (a) All certificates for shares of Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Commission, any stock exchange upon which the Stock is then listed, and any applicable Federal or state securities or other laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. (b) Nothing set forth in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases. The Corporation and its Subsidiaries specifically reserve the right to terminate (whether by dismissal, discharge, retirement or otherwise) any Participant's employment with the Company or a Subsidiary at any time at will. Neither the granting of an Award nor the adoption of the Plan shall confer upon any employee of the Corporation or its Subsidiaries any right to continued employment with the Corporation or a Subsidiary, as the case may be, nor shall it interfere in any way with the right of the Corporation or a Subsidiary to terminate the employment of any of its employees at any time. (c) Each Participant shall, no later than the date as of which the value of an Award first becomes includable in the gross income of the Participant for Federal income tax purposes, pay to the Corporation, or make arrangements satisfactory to the Committee regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to the Award. The obligations of the Corporation under the Plan shall be conditional on such payment or arrangements and the Corporation (and, where applicable, its Subsidiaries), shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. A Participant may

irrevocably elect to have the withholding tax obligations or, in the case of all Awards hereunder except Stock Options which have related Option Price Adjustment Rights or Stock Appreciation Rights, if the Committee so determines, any additional tax obligation with respect to any Awards hereunder satisfied by (a) having the Corporation withhold shares of Stock otherwise deliverable to the Participant with respect to the Award or (b) delivering to the Corporation shares of unrestricted Stock; provided, however, that if the Participant is an "officer" of the Corporation within the meaning of Section 16 of the Exchange Act, no such election shall be made (i) unless the Plan has been approved by shareholders in 14 accordance with Section 15 of the Plan and (ii) such election is made either (a) during one of the "window" periods described in section (c)(3)(iii) of Rule 16b-3 promulgated under the Exchange Act, or (b) at least six months prior to the date income is recognized with respect to the Award. (d) No members of the Board or the Committee, nor any officer or employee of the Corporation acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Corporation acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Corporation in respect of any such action, determination or interpretation provided such individual first gives the Corporation an opportunity, at its own expense, to handle and defend any legal action before such individual undertakes to handle and defend such legal action. (e) The existence of Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Awards shall not affect the right or power of the Corporation and its shareholders to make adjustments, recapitalizations, reorganizations, or other changes to the Corporation's capital structure or its business; issue bonds, debentures, preferred or prior preference stocks affecting the Corporation's Common Stock or the rights thereof; dissolve or liquidate the Corporation, or sell or transfer any part of its assets or business; or any other corporate act, whether of a similar character or otherwise. (f) The validity, interpretation, and administration of the Plan and of any rules, regulations, determinations, or decisions made thereunder, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with the laws of the State of Georgia, except where those laws may be superseded by the laws of the United States of America. Without limiting the generality of the foregoing, the period within which any action in connection with the Plan must be commenced shall be governed by the laws of the State of Georgia. (g) The obligation of the Corporation to make payment of Awards in Stock shall be subject to all applicable laws, rules and regulations, and to such approvals by government agencies as may be required. The Corporation shall be under no obligation to register under the Securities Act of 1933, as amended from time to time ("1993 Act"), any of the shares of Stock paid under the Plan. If the Stock paid under the Plan may in certain circumstances be exempt from registration under the 1933 Act, the Corporation may restrict the transfer of such Stock in such manner as it deems advisable to ensure the availability of any such exemption. SECTION 13. Cash Awards and Loans --------------------------------- The Committee, in its sole discretion, at any time may authorize special cash Awards to Participants to enable them to fund the exercise price of a Stock Option or any taxes that must be paid or withheld upon the exercise of a Stock Option or Stock Appreciation Right to fund the purchase price (if any) of Restricted Stock or any taxes that must be paid or withheld with respect to Restricted Stock, or to fund any taxes that must be paid or withheld with respect to any Performance Award. The Committee in its sole discretion, at any time, may assist a Participant in obtaining a loan for any funds required in connection with any aspect of the Plan, including without limitation the exercise or purchase price of any Award and any taxes that must be paid or withheld in connection with any Award. 15 SECTION 14. Accounting ---------------------- It is the intent of the Board that the accounting expenses for any Awards under this Plan to employees of Subsidiaries be charged to the Subsidiaries employing such employees and not to the Corporation. The Board of Directors and the Committee shall have the right to adopt any policies and procedures required in order to carry out this intent. SECTION 15. Effective Date of Plan ---------------------------------- The Plan shall become effective upon the earlier of its adoption by the Board of Directors or by the Executive Committee of the Board of Directors; provided, however, that Incentive Stock Options awarded hereunder shall be automatically converted into Non-Qualified Stock Options if shareholder approval of the Plan is not obtained within twelve months of the Plan's effective date. SECTION 16. Term of Plan ------------------------ No Stock Option, Stock Appreciation Right, Restricted Stock or Performance Award shall be granted pursuant to the Plan on or after the tenth anniversary of the effective date of the Plan, but Awards theretofore granted may extend beyond that date. SECTION 17. Execution --------------------- IN WITNESS WHEREOF, the Corporation has caused this Plan to be signed by its duly authorized officers effective as of this 1st day of March, 2002. SYNOVUS FINANCIAL CORP. By:/s/G. Sanders Griffith, III

Title: Senior Executive Vice President General Counsel and Secretary 16