TOTAL SYSTEM SERVICES INC
Form 10-K
February 21, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2018

Commission file number 1-10254

TOTAL SYSTEM SERVICES, INC.

(Exact name of registrant as specified in its charter)

Georgia	58-1493818
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One TSYS Way	
Columbus, Georgia	31901
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (706) 644-4388

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES [X] NO [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

YES [ ] NO [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [X]	Accelerated Filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]
Emerging growth company [ ]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] NO [X]

As of June 30, 2018, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $9,575,381,000 based on the closing sale price as reported on the New York Stock Exchange.

As of January 31, 2019, there were 176,915,530 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Incorporated Documents	Form 10-K Reference Locations
Portions of the Annual Report to Shareholders for the year ended December 31, 2018 ("Annual Report")	Parts I, II, III and IV
Portions of the 2019 Proxy Statement for the Annual Meeting of Shareholders to be held May 2, 2019 ("Proxy Statement")	Part III

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PART I

Safe Harbor Statement

We have included or incorporated by reference in this Annual Report on Form 10-K, and from time to time our management may make, statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which by their nature are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans, objectives and results, among other things, and also include (without limitation) statements made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this annual report. It is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Important factors that could cause actual results to differ from those in the forward-looking statements include, among others, those discussed under "Risk Factors" in Part I, Item 1A of this annual report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this annual report.

Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made, whether as a result of new information, future events or otherwise except as required by applicable law. You should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments thereto.

Item 1. Business

Business. Based in Columbus, Georgia, and traded on the New York Stock Exchange under the symbol "TSS," we are a global payment solutions provider that provides payment processing services, merchant services and related payment services to financial and nonfinancial institutions. In addition, we provide general purpose reloadable ("GPR") prepaid debit and payroll cards, demand deposit accounts and other financial service solutions to the underbanked and other consumers and businesses. The services we provide are divided into three operating segments, Issuer Solutions, which accounted for 46% of our revenues in 2018, Merchant Solutions, which accounted for 34% of our revenues in 2018 and Consumer Solutions, which accounted for 20% of our revenues in 2018.

Seasonality. Due to the somewhat seasonal nature of the payments industry, our 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.

Intellectual Property. Our intellectual property portfolio is a component of our ability to provide of transaction processing and other payment-related services. We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our proprietary technology. We also use various licensed intellectual property to conduct our business. In addition to using our intellectual property in our own operations, we grant licenses to certain of our clients to use our intellectual property.

Major Customers. A significant amount of our revenues is derived from long-term contracts with large clients. The loss of one of our large clients could have a material adverse effect on our financial position, results of operations and cash flows. See “Major Customer” and “Operating Segments” under the “Financial Review” Section on pages 19 through 23, and Note 21 on pages 78 through 80 of the Annual Report which are incorporated in this document by reference.

Competition. Each of our three business segments encounters vigorous competition in connection with the services it provides.

Issuer Solutions. Our Issuer Solutions segment encounters competition from credit card processing firms, third-party card processing software vendors and various other firms that provide products and services to credit card issuers in the United States and internationally. The United States market for third party processing for credit card issuers is primarily serviced by three vendors, including TSYS, with our largest competitor being a subsidiary

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of First Data Corporation. We believe that as of December 31, 2018, we are the largest third party processor for credit card issuers in North America and one of the largest in Europe based on net revenues derived from solutions for credit card issuers. Further, we believe that during 2018 we provided issuer processing services for approximately 40% of the domestic Visa and Mastercard credit card accounts issued in the United States, approximately 80% issued in Canada and approximately 20% issued in TSYS' Home European Markets (UK, Ireland, Netherlands, Italy, Germany and Switzerland). The principal methods of competition between us and our competitors are system performance and reliability, servicing capability, breadth of features and functionality, disaster recovery capabilities and business continuity preparedness, data security, scalability and flexibility of infrastructure and price.

Merchant Solutions. Our Merchant Solutions segment competes with financial institutions and merchant acquirers who provide businesses with merchant acquiring services and related services. Our primary competitors include First Data Corporation (and its alliances), Worldpay, Inc., Global Payments Inc., Square, Inc. and Elavon, Inc. We also provide third party processing and related services to other merchant acquirers, as well as Independent Sales Organizations ("ISOs") and financial institutions. We believe that as of December 31, 2018, we are the fifth largest merchant acquirer in the small and medium-sized business segment (merchants who have less than $5 million in annual bankcard sales volume) in the United States based on net revenue and one of the top two providers of third party processing services. The principal methods of competition between us and our competitors include quality of distribution partners, breadth of features and functionality, service levels, system performance and reliability, data security and price.

Consumer Solutions. Our Consumer Solutions segment primarily competes with other demand deposit account and prepaid debit account program managers to provide the underbanked and other consumers and businesses with financial service solutions. Our primary competitors in this space include Green Dot Corporation, InComm and First Data Corporation. As of December 31, 2018, we believe that we are one of the top two largest prepaid program managers in the United States based on gross dollar volume (total spending on the accounts we manage) processed during 2018. The principal methods of competition between us and our competitors include diversity and strength of distribution, breadth and strength of innovative features and functionality, quality of service, reliability of system performance and security and price.

Regulation and Examination. Government regulation affects key aspects of our business, in the U.S. as well as internationally. In addition, we are registered with Visa, Mastercard, American Express and the Discover Network as a service provider and are subject to their respective rules which subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. Set forth below is a brief summary of some of the significant laws and regulations that apply to us. These descriptions are not exhaustive and are qualified in their entirety by reference to the particular statutory or regulatory provision, which provisions are subject to change.

Banking Laws and Regulations. Because we provide electronic payment processing services to banks and other financial institutions, we are subject to examination by the Federal Financial Institutions Examination Council ("FFIEC"), an interagency body comprised primarily of federal banking regulators, and also subject to examination by the various state financial regulatory agencies which supervise and regulate the financial institutions for which we provide electronic payment processing and other payment related services. The FFIEC examines large data processors in order to identify and mitigate risks associated with systemically significant service providers, including specifically the risks they may pose to the banking industry.

Money Transmission, Sale of Checks and Payment Instrument Laws and Regulations. Our Consumer Solutions segment is subject to money transfer and payment instrument licensing regulations. We have obtained licenses to operate as a money transmitter, seller of checks and/or provider of payment instruments in 48 states and the District of Columbia. In the remaining U.S. jurisdictions we either have an application pending or the jurisdiction does not currently regulate money transmission.

In those states where we are licensed as a money transmitter, seller of checks and/or provider of payment instruments, our Consumer Solutions segment is subject to direct supervision and regulation by the relevant state banking departments or similar agencies charged with enforcement of the relevant statutes and we must comply with various requirements, such as those related to the maintenance of a certain level of net worth, surety bonding, selection and oversight of our authorized agents, maintaining permissible investments in an amount equal to or in excess of our outstanding payment obligations, recordkeeping and reporting and disclosures to consumers. Our Consumer Solutions segment is also subject to periodic examinations by the relevant licensing authorities, which may include reviews of our compliance practices, policies and procedures, financial position and related records, various agreements that we have with our issuing banks, distributors and other third parties, privacy and data security policies and procedures and other matters related to our business.

Privacy, Information Security, and Other Business Practices Regulation. Aspects of our business are also subject, directly or indirectly, to business and trade practices regulation in the United States, the European Union and elsewhere. For example, in the United States, we and our financial institution clients are, respectively, subject to the Federal Trade Commission’s and the federal banking regulators’ privacy and information safeguarding requirements under the Gramm-Leach-Bliley Act. These requirements limit the manner in which personal information may be collected, stored, used and disclosed. The Federal Trade Commission’s information safeguarding rules require us to develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate for our size and complexity, the nature and scope of our activities and the sensitivity of any customer information at issue. Our financial institution clients in the United States are subject to similar requirements under the guidelines issued by the federal banking regulators. As part of their compliance with these requirements, each of our U.S. financial institution clients is expected to have a program in place for responding to unauthorized access to, or use of, customer information that could result in substantial harm or inconvenience to customers and they are also responsible for our compliance efforts as a major service provider. In many jurisdictions, including every U.S. State, consumers must be notified in the event of a data breach, and such notification requirements continue to increase in scope and cost. The changing privacy laws in the United States, Europe and elsewhere, including the adoption by the European Union of the General Data Protection Regulation, which became effective in May 2018, and the California Consumer Privacy Act, which is scheduled to become effective in January 2020, create new individual privacy rights and impose increased obligations on companies handling personal data. In addition, multiple states, Congress and regulators outside the United States are considering similar laws or regulations which could create new individual privacy rights and impose increased obligations on companies handling personal data. Information concerning our cybersecurity risks and how a cybersecurity incident could materially affect our business is discussed under “Risk Factors” in Part I, Item IA of this annual report under the caption “Security breaches of our systems, including as a result of cyber-attacks, may damage client relations, our reputation and expose us to financial liability.”

Anti-money Laundering and Counter Terrorist Regulation. The Financial Crimes Enforcement Network of the U.S. Department of the Treasury (“FinCEN”) has issued a rule regarding the applicability of the Bank Secrecy Act's anti-money laundering provisions to “prepaid access programs.” This rulemaking clarifies the anti-money laundering obligations for entities, such as our Consumer Solutions business and its distributors, engaged in the provision and sale of prepaid access devices like our GPR prepaid cards. We have registered with FinCEN as a money services business. This registration results in our having direct responsibility to maintain and implement an anti-money laundering compliance program.

We are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and other laws that generally prohibit the making or offering of improper payments to foreign government officials and political figures for the purpose of obtaining or retaining business or to gain an unfair business advantage. In addition, as are all U.S. persons, we are also subject to regulations imposed by the U.S. Department of the Treasury Office of Foreign Assets Control (“OFAC”) which prohibit or restrict financial and other transactions with specified countries and designated individuals and entities such as terrorists and narcotics traffickers. We have procedures and controls in place which are designed to protect against having direct business dealings with such prohibited countries, individuals or entities. We also have procedures and controls in place which are designed to allow our processing clients to protect against having direct business dealings with such prohibited countries, individuals or entities.

The Dodd-Frank Act. We and the rest of the financial services industry continue to experience increased legislative and regulatory scrutiny, including the enactment of additional legislative and regulatory initiatives such as the

Dodd-Frank Wall Street Reform and Consumer Protection Act ("Reform Act") in 2010. The Reform Act has resulted in significant structural and other changes to the regulation of the financial services industry. The Reform Act, among other things, provides for the regulation and oversight by the Board of Governors of the Federal Reserve System ("Board") of debit interchange fees that are typically paid by acquirers and charged or received by a payment card network for the purpose of compensating an issuer for its involvement in an electronic debit transaction. In accordance with the Reform Act, the Board capped the maximum U.S. debit interchange fee assessed for debit cards issued by large financial institutions at twenty-one cents per transaction plus five basis points, before applying a fraud prevention adjustment of up to an additional one cent. The cap on debit interchange fees has not had a significant negative impact on our business.

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The Reform Act also created the Consumer Financial Protection Bureau ("CFPB") with responsibility for regulating consumer financial products and services and enforcing most federal consumer protection laws in the area of financial services, including consumer credit and the prepaid card industry. For example, the CFPB has promulgated a new rule regarding prepaid financial products, which, among other things, will establish new disclosure requirements specific to prepaid accounts, eliminate certain fees that may currently be imposed on prepaid accounts, and make it more difficult for a prepaid card provider such as our Consumer Solutions segment to offer courtesy overdraft protection on prepaid accounts. The rule is scheduled to become effective April 1, 2019. Similarly, other future actions of the CFPB may make payment card or product transactions generally less attractive to card issuers, acquirers, consumers and merchants, and thus negatively impact our business. In addition, the Reform Act created a Financial Stability Oversight Council that has the authority to determine whether nonbank financial companies such as TSYS should be supervised by the Board because they are systemically important to the U.S. financial system. To date, the Financial Stability Oversight Council does not appear to be focused on regulating entities such as TSYS. However, any such future designation would result in increased regulatory burdens on our business.

State Wage Payment Laws and Regulations. The use of payroll card programs as a means for an employer to remit wages or other compensation to its employees or independent contractors is governed by state labor laws related to wage payments, which laws are subject to change. The paycard portion of our Consumer Solutions segment includes payroll cards and convenience checks and is designed to allow employers to comply with applicable state wage and hour laws. Most states permit the use of payroll cards as a method of paying wages to employees, either through statutory provisions allowing such use or, in the absence of specific statutory guidance, the adoption by state labor departments of formal or informal policies allowing for their use. Nearly every state allowing payroll cards places certain requirements and/or restrictions on their use as a wage payment method, the most common of which involve obtaining the prior written consent of the employee, limitations on fees and disclosure requirements.

Telephone Consumer Protection Act. We are subject to the Federal Telephone Consumer Protection Act and various state laws to the extent we place telephone calls and short message service ("SMS") messages to clients and consumers. The Telephone Consumer Protection Act regulates certain telephone calls and SMS messages placed using automatic telephone dialing systems or artificial or prerecorded voices.

Escheat Laws. We are subject to unclaimed or abandoned property laws in the United States and in foreign countries that require us to transfer to certain government authorities the unclaimed property of others that we hold when that property has been unclaimed for a certain period of time. Moreover, we are subject to audit by state regulatory authorities with regard to our escheatment practices.

Employees. As of December 31, 2018, we had approximately 12,820 employees.

Available Information. Our website address is www.tsys.com. You may obtain free electronic copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports in the Investor Relations section of our website under the heading "SEC Filings." These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission.

We have adopted a Code of Business Conduct and Ethics for our directors, officers and employees and have also adopted Corporate Governance Guidelines. Our Code of Business Conduct and Ethics, Corporate Governance Guidelines and the charters of our board committees are available in the Corporate Governance section of our website at www.tsys.com under “Investor Relations” then “Corporate Governance.”

For more information about our business see the “Financial Overview” Section on pages 13 through 15, the “Financial Review” Section on pages 15 through 34 and Note 1, Note 8, Note 15, Note 21 and Note 23 of Notes to Consolidated Financial Statements on pages 40 through 53, pages 60 and 61, pages 69 through 72, pages 78 through 80, and pages 81 and 84 of the Annual Report which are incorporated in this document by reference.

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Item 1A. Risk Factors

This section highlights specific risks that could affect our business and us. Although this section attempts to highlight key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. In addition to the factors discussed elsewhere or incorporated by reference in this report, among the other factors that could cause actual results to differ materially are the following:

Security breaches of our systems, including as a result of cyber-attacks, may damage client relations, our reputation and expose us to financial liability.

In order to provide our services, we process, store and transmit sensitive business information and personal consumer information which may include credit and debit card numbers, names and addresses, social security numbers, driver's license numbers, bank account numbers and other types of personal information or sensitive business information. Under the card network rules, various federal, state and international laws, and client contracts, we are responsible for information provided to us by financial institutions, merchants, ISOs and others and for our failure to protect this information. Some of this information is also processed and stored by financial institutions, merchants and other entities, as well as third-party service providers to whom we outsource certain functions and other agents, which we refer to collectively as our associated third parties. The confidentiality of the sensitive business information and personal consumer information that resides on our systems and our associated third parties' systems is critical to our business. While we maintain controls and procedures designed to protect the sensitive data we collect, we cannot be certain that these measures will be successful or sufficient to counter all current and emerging information security threats that we face on a daily basis.

Certain of our computer systems and certain of our associated third parties' computer systems have been, and could be in the future, breached, and our data protection measures have not and may not in the future prevent unauthorized access. Information security risks for us and our competitors have substantially increased in recent years in part due to the proliferation of new technologies and the increased sophistication, resources and activities of hackers, terrorists, activists, organized crime, and other external parties, including hostile nation-state actors. The techniques used by these bad actors to breach and otherwise obtain unauthorized access, disable or degrade service, sabotage systems or utilize payment systems in an effort to perpetrate financial fraud change frequently and are often difficult to detect. Although we are not aware of any material breach of our computer systems or of our associated third parties' computer systems that have had a material impact on us or caused us to incur material losses relating to cyber-attacks or other information security breaches to date, we and others in our industry are regularly the subject of sophisticated and numerous attempts by bad actors to gain unauthorized access to these computer systems and data or to obtain, change or destroy confidential data (including personal consumer information of individuals) through a variety of means, including, but not limited to, computer viruses, malware and phishing. In the future, these attacks may result in unauthorized individuals obtaining access to our confidential information or confidential information provided to us by financial institutions, merchants, ISOs and others, or otherwise accessing, damaging, or disrupting our computer systems or infrastructure. In addition, we expect bad actors to utilize increasingly sophisticated technology and techniques in the future to exploit vulnerabilities that may, or may not, be generally known. As a result, we must continuously develop and enhance our controls, processes, and practices designed to protect our computer systems, software, data and networks from attack, damage, or unauthorized access. This continuous development and enhancement will require us to expend additional resources, including to investigate and remediate significant information security vulnerabilities detected. Despite our investments in security measures, we are unable to assure that any security measures will be effective and will not be subject to breach, or system or human error. In addition, insider or employee cyber and security threats also pose a risk to all large companies, including ours. If one or more of the events described above were to occur, our computer systems or our associated third parties' computer systems could be breached and the information stored there could be accessed, publicly disclosed, lost, changed, controlled or stolen. While we maintain insurance coverage that may cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses.

We could also be subject to liability for claims relating to misuse of personal consumer information, such as unauthorized marketing purposes and violation of data privacy laws. We cannot provide assurance that the contractual requirements related to security and privacy that we impose on our associated third parties' who have access to customer data and personal consumer information will be followed or will be adequate to prevent the unauthorized use or disclosure of data. In addition, we have obligations under certain agreements to take certain

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protective measures to ensure the confidentiality of personal consumer information.

A breach of our systems processing or storing sensitive business information or personal consumer information may cause those systems to be unavailable; cause our clients and consumers to lose confidence in our services or deter the use of electronic payments generally; significantly harm our reputation; distract our management; delay future product rollouts; expose us to financial liability (as a result of uninsured liabilities, potential breaches of contract, litigation and penalties and fines from regulators and the card networks); result in the loss of our financial institution sponsorships; increase our risk of regulatory scrutiny; adversely affect our continued card network registration; cause us to modify our protective measures which would increase our expenses; and increase our expenses from containment and remediation costs, all of which could have a material adverse and long-term effect on our revenues, profitability, financial condition and future growth. Further, if we were to be removed from networks' lists of PCI DSS compliant service providers, our existing clients may cease utilizing our services, and prospective clients may delay or choose not to consider us for their processing needs. In addition, card networks could refuse to allow us to process through their networks.

Consolidation among financial institutions and retail clients, including the merger of TSYS clients with entities that are not TSYS clients or the sale of portfolios by TSYS clients to entities that are not TSYS clients could materially impact our financial position and results of operation.

Consolidation among financial institutions, particularly in the area of credit card operations, and consolidation in the retail industry, continues to be a major risk. Specifically, we face the risk that our clients may merge with entities that are not our clients, our clients may sell portfolios to entities that are not our clients or our financial institution clients may otherwise cease to exist, thereby negatively impacting our existing agreements and projected revenues with these clients. In addition, consolidation among financial institutions has led to an increasingly concentrated client base at TSYS which results in a changing client mix toward larger clients. Continued consolidation among financial institutions could increase the bargaining power of our current and future clients and further increase our client concentration. Consolidation among financial institutions and retail clients and the resulting loss of any significant client by us could have a material adverse effect on our financial position and results of operations.

If we do not obtain new clients or renew or renegotiate our agreements on favorable terms with our clients, our business will suffer.

A significant amount of our revenues is derived from long-term contracts with large clients. The financial position of these clients and their willingness to pay for our products and services are affected by general market positions, competitive pressures and operating margins within their industries. When our long-term contracts expire, the time of renewal or renegotiation presents our clients with the opportunity to consider other providers, transition all or a portion of the services we provide in-house or seek lower rates for our services. The loss of our contracts with existing clients or renegotiation of contracts at reduced rates or reduced service levels could have a material adverse effect on our financial position and results of operation.

For potential clients of our business segments, switching from one vendor of core processing or related services (or from an internally-developed system) to a new vendor is a significant undertaking. As a result, potential clients often resist change. We seek to overcome this resistance through strategies such as making investments to enhance the functionality of our systems. However, there can be no assurance that our strategies for overcoming potential clients' reluctance to change vendors will be successful, and this resistance may adversely affect our growth.

Economic and geopolitical conditions could adversely affect our business.

A significant portion of our revenues is derived from the number of consumer payment transactions that we process which may be affected by, among other things, overall economic conditions. The payment processing industry depends heavily upon the overall level of consumer, business and government spending. Any change in economic factors, including a sustained deterioration in general economic conditions or consumer confidence, particularly in the United States or Europe, or increases in interest rates in key countries in which we operate may adversely affect our financial performance by reducing the number or average purchase amount of transactions involving credit, debit, GPR prepaid and other payment-related cards. Future reductions in consumer spending through credit, debit, GPR prepaid debit and other payment-related card usage through methods that we process,

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including through an increase in the number of cash transactions, will result in our having fewer transactions to process and could result in a decrease in our revenues and profits. A weakening in the economy could also force some retailers to close, resulting in exposure to potential credit losses and declines in transactions. Additionally, credit card issuers may reduce credit limits and become more selective in their card issuance practices. Any of these developments could have a material adverse impact on our financial position and results of operation.

Our ability to anticipate and respond to changing industry and client needs and preferences may affect our competitiveness or demand for our products, which may adversely affect our financial results.

The payment processing markets in which we compete are subject to rapid and significant technological changes, new product introductions, including mobile payment applications, evolving competitive landscape, developing industry standards, and changing client and consumer needs and preferences. We expect that new services and technologies applicable to the payment processing markets will continue to emerge. These changes in technology may limit the competitiveness of and demand for our services. Also, our clients continue to adopt new technology for business and personal uses. We must anticipate and respond to these changes in order to remain competitive within our markets. If we are unable to effectively respond to these changes, the competitiveness of and demand for our services and products will be materially impaired and may result in our services being removed from the payments value chain. Our future success will depend in part on our ability to anticipate and respond to new competitors and to develop or adapt to technological changes and evolving industry standards on a timely basis. Our failure to do so could have a material adverse effect on our financial position and results of operation.

There may be a decline in the use of cards as a payment mechanism or adverse developments with respect to the card industry in general.

If the number of electronic payment transactions of the type we process does not continue to grow or if businesses or consumers do not continue to adopt our services, it could have a material adverse effect on the profitability of our business, financial position and results of operations. We believe future growth in the use of credit, debit and GPR prepaid debit cards and other electronic payments will be driven by the cost, ease-of-use, and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, businesses and consumers must continue to use electronic payment methods that we process, including credit, debit and GPR prepaid debit cards.

Conversions and deconversions of client portfolios may not occur as scheduled which may negatively impact our financial results.

The timing of the conversion of card portfolios of new payment processing clients to our processing systems and the deconversion of existing clients to other systems impacts our revenues and expenses. Due to a variety of factors, conversions and deconversions may not occur as scheduled and this may have a material adverse effect on our financial position and results of operations.

Acquisitions and integrating such acquisitions create certain risks and may affect our financial results.

We have acquired businesses both in the U.S. and internationally and will continue to explore opportunities for strategic acquisitions in the future. The acquisition and integration of businesses involve a number of risks. Core risks are in the area of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration and conversion (managing the complex process of integrating the acquired company's people, services, technology and other assets to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition). In addition, international acquisitions often involve additional or increased risks including, for example: managing geographically separated organizations, systems, and facilities; integrating personnel with diverse business backgrounds and organizational cultures; complying with foreign regulatory requirements; fluctuations in currency exchange rates; enforcement of intellectual property rights in some foreign countries; difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of those new markets; and general economic and political conditions. In all of our acquisitions, we also have risk associated with the information security posture of the acquired company and its products and services and activities required to address information security issues identified during the acquisition process and thereafter.

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If the integration and conversion process when acquiring a business does not proceed smoothly, the following factors, among others, could have an adverse effect on our financial position and results of operations, and result in a loss of projected synergies:

if we are unable to successfully integrate the benefits plans, duties and responsibilities, and other factors of interest to the management and employees of the acquired business, we could lose employees to our competitors, which could significantly affect our ability to operate the business and complete the integration;

if the integration process causes any delays with the delivery of our services, or the quality of those services, we could lose clients to our competitors, which would reduce our revenues and earnings;

if we are unable to identify and address information security weaknesses or vulnerabilities of the acquired company in a manner that prevents those from being exploited by malicious actors after close of the acquisition;

the acquisition may otherwise cause disruption to the acquired company's business and operations and relationships with financial institution sponsors, customers, merchants, employees and other partners, as applicable;

the acquisition and the related integration could divert the attention of our management from other strategic matters including possible acquisitions and alliances and planning for new product development; and

the costs related to the integration of the acquired company's business and operations into ours and the financing of the transaction may be greater than anticipated.

A negative perception of our company in the marketplace may affect our brands and reputation, which are key assets of our business.

Our brands and their attributes are key assets of our business. The ability to attract and retain business clients and consumers to TSYS and Netspend branded products depends highly upon the external perceptions of our company and our industry's quality of service, use and protection of account holder data, regulatory compliance, financial condition, corporate responsibility and other factors. Negative perception or publicity, particularly in light of the rapid, widespread use of social media channels, could cause damage to our brands and reputation.

If business clients and consumers turn away from our brand and products, we may be required to incur additional liabilities and costs, result in greater regulatory or legislative scrutiny, and materially and adversely affect our financial position, results of operations and prospects for future growth and overall business.

Our business may be adversely affected by currency, geopolitical and other risks associated with foreign operations and, as we pursue international expansion, we may incur higher than anticipated costs and will become more susceptible to these risks.

We provide services to our clients worldwide. As a result, our revenues derived from international operations are subject to risk of loss from foreign currency exchange rates. Revenue and profit generated by international operations will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. We have not entered into foreign exchange forward contracts to mitigate the risks associated with our foreign operations. In addition, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our foreign currency into U.S. dollars. The occurrence of any of these factors could decrease the value of revenues we receive from international operations and adversely affect our financial position and results of operations. In addition, our revenues derived from international operations are subject to risk of loss as a result of social and geopolitical instability and unfavorable political or diplomatic developments which could negatively impact our financial results.

In June 2016, the United Kingdom (“U.K.”) held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." The referendum has caused, and may continue to cause, volatility in global stock markets and currency exchange rate fluctuations, resulting in a decline in the value of the British pound relative to the U.S. dollar. The U.K. is currently negotiating the terms of its expected exit from the European Union which is scheduled for March 29, 2019. In November 2018, the U.K. and the European Union agreed upon a draft Withdrawal Agreement that sets out the terms of the U.K.’s departure, including a transition period from March 29, 2019 through December 31, 2020 to allow time for the U.K. and the European Union to

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agree upon a future trade deal. On January 15, 2019, the draft Withdrawal Agreement was rejected by the U.K. Parliament creating significant uncertainty about the terms (and timing) under which the U.K. will leave the European Union and the terms of the U.K's future relationship with the European Union. Uncertainty over the terms of the U.K.'s expected departure from the European Union and the exit itself could negatively impact the U.K. and other economies, which could adversely affect our financial position and results of operations. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations in the U.K. and the European Union. Because we conduct business in and have operations in the U.K., we may incur additional costs or need to make operational changes as we adapt to potentially divergent regulatory frameworks from the rest of the European Union. Any of these effects of Brexit, among others, could adversely affect our business and financial results. We are monitoring the potential impact of Brexit on our company including its impact on service continuity, contracts, the regulatory environment and freedom of movement of people as well as the potential impact to us if Brexit negatively impacts the U.K. or other economies, although the financial, trade and legal implications of Brexit are still uncertain and may be more severe than expected given that the final terms upon which the U.K. will exit the European Union are still unknown and the lack of comparable precedent.

We may also incur higher than anticipated costs as we expand internationally and grow our international client base. If we are unable to successfully manage these expenses as our business expands, our financial position and results of operations could be negatively impacted.

The costs and effects of pending and future litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our financial position and results of operations.

We are from time to time involved in various litigation matters and governmental or regulatory investigations or similar matters arising out of our business. Our insurance or indemnities may not cover all claims that may be asserted against it, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our financial position and results of operations. In addition, we may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms, if at all. For more information about our legal proceedings, see Item 3 of this annual report.

We operate in a competitive business environment, and if we are unable to compete effectively our financial position may be adversely affected.

The market for payment processing services is intensely competitive. Our payment solutions primarily compete against credit card processing firms, third party processing vendors, financial institutions, merchant acquirers and prepaid programs managers. If we are unable to differentiate ourselves from our competitors, drive value for our clients and/or effectively align our resources with our goals and objectives, we may not be able to compete effectively. We expect that the markets in which we compete will continue to attract new competitors and new technologies, including non-traditional competitors who offer certain innovations in payment methods. There can be no assurance that we will be able to compete successfully against current or future competitors or that the competitive pressures we face in the markets in which we operate will not materially adversely affect our financial position and results of operations.

The market for prepaid cards, demand deposit accounts and alternative financial services is highly competitive and competition is increasing as more companies endeavor to address the needs of underbanked consumers.

When we acquired Netspend, which we now refer to as our Consumer Solutions segment, we added an aspect to our business to complement our previous presence in the prepaid processing space to include GPR prepaid debit and payroll cards and alternative financial services. The alternative financial services industry, including the prepaid card market, is subject to intense and increasing competition. Our Consumer Solutions segment, which now includes demand deposit accounts, directly competes with a number of companies that market open-loop prepaid cards and demand deposit accounts through retail and online distribution. In addition, we compete with banks that offer demand deposit accounts and other traditional issuers of debit cards. We also compete against large retailers and technology companies who are seeking to integrate more financial services into their product offerings. We anticipate increased competition from alternative financial services providers who are often well-positioned to service the underbanked and who may wish to develop their own prepaid card or

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demand deposit account programs. The increased desire of banks, retailers, technology companies and alternative financial services providers to develop and promote prepaid card and demand deposit account programs could have an adverse effect on our Consumer Solutions Segment. We also face strong price competition. To stay competitive, we may have to increase the incentives that we offer to our distributors and decrease the prices of our products and services, which could adversely affect our operating results.

Our Consumer Solutions segment relies on certain relationships with issuing banks, distributors, marketers and brand partners. The loss of such relationships or if we are unable to maintain such relationships on terms that are favorable to us, our business, financial position and operating results may be materially adversely affected.

Our Consumer Solutions segment relies on arrangements we have with issuing banks to provide us with critical products and services, including the FDIC-insured depository accounts tied to the cards and accounts we manage, access to the ATM networks, membership in the card associations and network organizations and other banking services. The majority of our active Consumer Solutions cards and accounts are issued or opened through Meta Payment Systems ("MetaBank"). If any material adverse event were to affect MetaBank, or another of our other critical issuing banks, if we were to lose MetaBank or another critical bank, or if MetaBank or another critical bank grew to a size such that it was no longer able to avail itself of certain regulatory exemptions for small banks, we would be forced to find an alternative provider of these critical banking services for our Consumer Solutions segment. It may not be possible to find a replacement bank on terms that are acceptable to us or at all. Any change in the issuing banks could disrupt the business or result in arrangements with new banks that are less favorable to us than those we have with our existing issuing banks, either of which could have a material adverse impact on our results of operations and our financial position.

Furthermore, our Consumer Solutions segment depends in large part on establishing agreements with distributors, marketers and brand partners, primarily alternative financial services providers, as well as grocery and convenience stores and other traditional retailers. Some of these companies may endeavor to internally develop their own programs or enter into exclusive relationships with our competitors to distribute or market their products. The loss of, or a substantial decrease in revenues from, one or more of our top distributors, marketers or brand partners could have a material adverse effect on the Consumer Solutions segment and our operating results.

Changes in the laws, regulations, policies, credit card association rules or other industry standards affecting our business may impose costly compliance burdens and negatively impact our business.

There may be changes in the laws, regulations, credit card association rules or other industry standards that affect our operating environment in substantial and unpredictable ways at both the federal and state levels in the U.S. as well as internationally. For example, the Trump Administration has called for changes in existing regulatory requirements, including those applicable to financial services. We cannot predict the impact, if any, of such changes on our business. It is likely that some policies adopted by the new administration will benefit us, while others will negatively affect us. Until we know what changes are adopted, we will not know whether in total we benefit from, or are negatively affected by, the changes. More broadly, changes to statutes, regulations or industry standards, including interpretation and implementation of statutes, regulations or standards, could increase the cost of doing business or affect the competitive balance. Regulation of the payments industry has increased significantly in recent years. Failure to comply with laws, rules and regulations or standards to which we are subject in the U.S. as well as internationally, including the card network rules and rules with respect to privacy and information security, may result in the suspension or revocation of a license or registration, the limitation, suspension or termination of service, and the imposition of fines, sanctions or other penalties, which could have a material adverse effect on our financial position and results of operations, as well as damage our reputation. Even if such a change to statutes, regulations or industry standards does not directly apply to us, the effects of such a change on our financial institution clients could result in material, indirect effects on the way we operate or the costs to operate our business and impair the demand for our services amongst our financial institution clients.

We and the rest of the financial services industry continue to experience increased legislative and regulatory scrutiny, including the enactment of additional legislative and regulatory initiatives such as the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Reform Act") in 2010. The Reform Act has resulted in significant structural and other changes to the regulation of the financial services industry. The Reform Act, among other things, provides for the regulation and oversight by the Board of Governors of the Federal Reserve System ("Board") of debit interchange fees that are typically paid by acquirers and charged or received by a

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payment card network for the purpose of compensating an issuer for its involvement in an electronic debit transaction. The Reform Act also created the Consumer Financial Protection Bureau ("CFPB") with responsibility for regulating consumer financial products and services and enforcing most federal consumer protection laws in the area of financial services, including consumer credit and the prepaid card industry. The CFPB has mandated that supervised financial institutions, including our clients, are required to ensure that their service providers are in compliance with applicable federal consumer laws, which may increase regulatory oversight and our cost of doing business. In addition, the CFPB has promulgated a new rule regarding the prepaid industry which is expected to negatively impact our Consumer Solutions segment and thus negatively impact our revenues and earnings when it becomes effective which is scheduled to occur on April 1, 2019. Furthermore, the Reform Act created a Financial Stability Oversight Council that has the authority to determine whether nonbank financial companies such as TSYS should be supervised by the Board because they are systemically important to the U.S. financial system. Any such designation would result in increased regulatory burdens on our business. The overall impact of the Reform Act on TSYS is difficult to estimate. Current and future regulations as a result of the Reform Act may adversely affect our business or operations, directly or indirectly (if, for example, our clients' businesses and operations are adversely affected).

With respect to our Consumer Solutions segment, because each distributor offers prepaid cards, reload services and/or money remittance services as an agent of Consumer Solutions, or another third party, we do not believe that the distributors themselves are required to become licensed as money transmitters in order to engage in such activity. However, there is a risk that a federal or state regulator will take a contrary position and initiate enforcement or other proceedings against a distributor, us, our issuing banks or our other service providers. If we are unsuccessful in making a persuasive argument that a distributor should not be subject to such licensing requirements and it is therefore deemed to be in violation of one or more of the state money transmitter statutes, it could result in the imposition of fines, the suspension of the distributor's ability to offer some or all of our products and related services in the relevant jurisdiction, civil liability and criminal liability, each of which could negatively impact our financial position and results of operations. Furthermore, if the federal government or one or more state governments impose additional legislative or regulatory requirements on our Consumer Solutions segment, the issuing banks or the distributors, or prohibit or limit the activities of our Consumer Solutions segment as currently conducted, we may be required to modify or terminate some or all of our Consumer Solutions products and services offered in the relevant jurisdiction or certain of the issuing banks may terminate their relationship with us.

In addition, we are subject to tax laws in each jurisdiction where we do business. Changes in tax laws or their interpretations could decrease the value of revenues we receive, the value of tax losses and tax credits carry forwards recorded on our balance sheet and the amount of our cash flow and have a material adverse effect on our financial position and results of operations. Furthermore, changes in accounting policies can significantly affect how we calculate expenses and earnings.

We rely on financial institution sponsors in order to process Visa, Mastercard, American Express and Discover transactions. If these sponsorships are terminated and we are unable to secure new sponsors our business and results of operations will be materially and adversely affected.

In order to provide our Visa, Mastercard, American Express and Discover transaction processing services, we must be either a direct participant or be registered as a merchant processor or service provider of Visa, Mastercard, American Express and Discover. Registration as a merchant processor or service provider is dependent upon our being sponsored by member banks of these credit card companies. If our sponsor banks should stop providing sponsorship for us, we would need to find another financial institution to provide those services or we would need to attain direct participation, either of which could prove to be difficult and expensive. If we are unable to find a replacement financial institution to provide sponsorship or attain direct participation, we may no longer be able to provide processing services to the affected customers, which would have a material adverse effect on our business and results of operations.

If we fail to comply with the applicable requirements of the card networks, they could seek to fine us, suspend us or terminate our registrations. If our merchants or independent sales organizations incur fines or penalties that we cannot collect from them, we could end up bearing the cost of such fines or penalties.

We are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by their boards, which may be influenced by card issuers, and some of those issuers are our competitors with

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respect to these processing services. Many banks directly or indirectly sell processing services to merchants in direct competition with us. These banks could attempt, by virtue of their influence on the networks, to alter the networks' rules or policies to the detriment of non-members like us. The termination of our registrations or our status as a service provider or a merchant processor, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our financial position and results of operations. If a merchant or an ISO fails to comply with the applicable requirements of the card associations and networks, it could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect such amounts from the applicable merchant or ISO, we could end up bearing such fines or penalties, resulting in lower earnings for us.

The providers of alternative financial services that distribute our Consumer Solutions products are subject to extensive and complex federal and state regulations and new regulations and/or changes to existing regulations could adversely affect their ability to offer Consumer Solutions products through their locations, which in turn could have an adverse impact on our business.

The distributors include a large number of companies in industries that are highly regulated, such as payday, title and installment lending and it is possible that changes in the legal regime governing such businesses could limit their ability to distribute our Consumer Solutions products or adversely impact their business and thereby have an indirect adverse impact on our Consumer Solutions segment. For example, a large number of states have either prohibited, or imposed substantial restrictions upon, the offering of "payday loans" and this activity continues to draw substantial scrutiny from federal and state legislatures, regulatory authorities and various consumer groups. Furthermore, the Reform Act grants supervisory authority over entities engaged in this activity to the CFPB, which recently promulgated regulations which may significantly impact the operations and/or viability of various entities. As a number of our Consumer Solutions distributors are engaged in offering payday, title and/or installment loans, current and future legislative and regulatory restrictions that negatively impact their ability to continue their operations could have a corresponding negative impact on our ability to offer Consumer Solutions products through their locations, potentially resulting in a significant decline in revenue from the Consumer Solutions segment.

We are subject to the business cycles and credit risk of our merchant customers and our independent sales organizations.

A recessionary economic environment could affect our merchants through a higher rate of business closures, resulting in lower revenues and earnings for us. Our merchants are liable for any charges properly reversed by the card issuer on behalf of the cardholder. Our merchants and ISOs are also liable for any fines, or penalties, that may be assessed by any card networks. In the event, however, that we are not able to collect such amounts from the merchants or ISOs, due to merchant fraud, breach of contract, insolvency, bankruptcy or any other reason, we may be liable for any such charges which could have a material adverse effect on our financial position and results of operations.

We incur chargeback liability when our merchants refuse or cannot reimburse chargebacks resolved in favor of their customers. We cannot accurately anticipate these liabilities, which may adversely affect our financial results.

In the event a billing dispute between a cardholder and a merchant is not resolved in favor of the merchant, the transaction is normally "charged back" to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect such amounts from the merchant's account or reserve account (if applicable), or if the merchant refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse us for a chargeback, we bear the loss for the amount of the refund paid to the cardholder. We may experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our merchants could have a material adverse effect on our financial position and results of operation. We have policies to manage merchant-related credit risk and often mitigate such risk by requiring collateral and monitoring transaction activity. Notwithstanding our programs and policies for managing credit risk, it is possible that a default on such obligations by one or more of our merchants could have a material adverse effect on our business.

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Fraudulent activities by merchants, prepaid card holders or others and losses from overdrawn cardholder accounts may adversely affect our financial results.

We have potential liability for fraudulent bankcard transactions or credits initiated by merchants or others, and our prepaid card programs expose us to threats involving the misuse of cards, collusion, fraud and identify theft. Examples of merchant fraud include when a merchant knowingly uses a stolen or counterfeit bankcard or card number to record a false sales transaction, processes an invalid bankcard, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeit and fraud. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud would increase our chargeback liability or other liability. Increases in chargebacks or other liability could have a material adverse effect on our financial position and results of operations.

Our systems and our third-party providers' systems may fail which could interrupt our service, cause us to lose business, increase our costs and expose us to liability.

We depend on the efficient and uninterrupted operation of our computer systems, software, data centers and telecommunications networks, as well as the systems and services of third parties. A system outage or data loss could have a material adverse effect on our business, financial position and results of operations. Not only would we suffer damage to our reputation in the event of a system outage or data loss, we may also be liable to third parties. Many of our contractual agreements with financial institutions require the payment of penalties if we do not meet certain operating standards. Our systems and operations or those of our third-party providers could be exposed to damage or interruption from events that may be outside our control. Events that could cause system interruptions include, among other things, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, breach and unauthorized access and computer viruses or other defects. Defects in our systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures, or other difficulties could result in loss of revenue, loss of customers, loss of merchant and cardholder data, harm to our business or reputation, exposure to fraud losses or other liabilities, negative publicity, additional operating and development costs, fines and other sanctions imposed by card networks, and/or diversion of technical and other resources. In addition, we have a third party risk management process in place through our global procurement program. If we are unable to effectively manage the risk associated with our third party relationships, it could negatively impact our financial condition and results of operations.

We may experience software defects, computer viruses, and development delays, which could damage client relations, our potential profitability and expose us to liability.

Our services are based on sophisticated software and computing systems that often encounter development delays, and the underlying software may contain undetected errors, viruses, or defects. Defects in our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential clients, harm to our reputation, fines imposed by card networks, or exposure to liability claims. In addition, we rely on technologies supplied to us by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully manage our intellectual property and may be subject to infringement claims.

In our rapidly developing legal framework, we rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our proprietary technology. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop software or technology competitive to us. Our competitors may independently develop similar technology, duplicate our products or services or design around our intellectual property rights. We may have to litigate to enforce and protect our intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive and could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

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We may also be subject to costly litigation in the event our products and technology infringe upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our products or technology. Any of these third parties could make a claim of infringement against us with respect to our products or technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could limit our ability to use the intellectual property subject to these claims and require us to design around a third party's patent, which may not be possible, or to license alternative technology from another party, which may be costly. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of our management and employees.

If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.

All of our businesses function at the intersection of rapidly changing technological, social, economic and regulatory developments that requires a wide ranging set of expertise and intellectual capital. To successfully compete and grow, we must recruit, develop and retain the necessary personnel who can provide the needed expertise across the entire spectrum of intellectual capital needs. In addition, we must develop our personnel to fulfill succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. Our efforts to retain and develop personnel may also result in significant additional expenses, which could negatively affect our profitability. We cannot assure that key personnel, including executive officers, will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on our business, financial position and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2018, we and our subsidiaries owned 11 facilities encompassing approximately 1,436,568 square feet and leased 50 facilities encompassing approximately 1,480,593 square feet. These facilities are used for operational, sales and administrative purposes.

	Owned Facilities	Leased Facilities

	Number	Square Footage	Number	Square Footage
Issuer Solutions	11	1,436,568	28	800,820
Merchant Solutions	—	—	19	523,304
Consumer Solutions	—	—	3	156,469

We believe that our facilities are suitable and adequate for our current business; however, we periodically review our space requirements and may acquire new space to meet the needs of our businesses or consolidate and dispose of or sublet facilities which are no longer required.

See Note 1, Note 9, Note 15 and Note 21 of Notes to Consolidated Financial Statements on pages 40 through 53, page 61, pages 69 through 72, and pages 78 through 80 and "Property and Equipment" under the "Financial Review" Section on page 29 of the Annual Report which are incorporated in this document by reference.

Item 3. Legal Proceedings

See Note 15 of Notes to Consolidated Financial Statements on pages 69 through 72 of the Annual Report which is incorporated in this document by reference.

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Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities

The "Quarterly Financial Data (Unaudited), Stock Price, Dividend Information" Section on page 87, Note 19 of Notes to Consolidated Financial Statements on pages 77 and "Stock Performance Graph" on page 88 of the Annual Report are incorporated in this document by reference. The "Stock Performance Graph" is incorporated herein by reference; however, this information shall not be deemed to be "soliciting material" or to be "filed" with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

Item 6. Selected Financial Data

The "Selected Financial Data" Section which is set forth on page 13 of the Annual Report is incorporated in this document by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The "Financial Overview" and "Financial Review" Sections which are set forth on pages 13 through 34 of the Annual Report which includes the information encompassed within "Management's Discussion and Analysis of Financial Condition and Results of Operations," are incorporated in this document by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk. We are exposed to foreign exchange risk because we have assets, liabilities, revenues and expenses denominated in foreign currencies. These currencies are translated into U.S. dollars at current exchange rates, except for revenues, costs and expenses and net income, which are translated at the average exchange rate for each reporting period. Net exchange gains or losses resulting from the translation of assets and liabilities of our foreign operations, net of tax, are accumulated in a separate section of shareholders' equity entitled "accumulated other comprehensive income (loss), net." The amount of other comprehensive (loss) income, net of tax, related to foreign currency translation for the years ended December 31, 2018, 2017 and 2016 was:

(in millions)	2018	2017	2016
Comprehensive income (loss), net of tax	$ (20.3)	$ 22.0	$ (30.5)

Currently, we do not use financial instruments to hedge our exposure to exchange rate changes.

The following table presents the carrying value of the net assets of our foreign operations in U.S. dollars at December 31, 2018:

(in millions)	December 31, 2018
Europe	$ 201.6
China	139.2
Cyprus	44.4
Other	20.1

We record foreign currency translation adjustments associated with other balance sheet accounts. See "Nonoperating Income (Expense)" under the "Financial Review" Section on pages 24 and 25 of the Annual Report which is incorporated in this document by reference. We maintain several cash accounts denominated in foreign currencies, primarily in US dollars and Euros. As we translate the foreign-denominated cash balances into U.S. dollars, the translated cash balance is adjusted upward or downward depending upon the foreign currency exchange movements. The upward or downward adjustment is recorded as a gain or loss on foreign currency

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translation in our statements of income. As those cash accounts have increased, the upward or downward adjustments have increased. We recorded a net translation gain of approximately $0.1 million for the year ended December 31, 2018 relating to the translation of foreign denominated balance sheet accounts, most of which were accounts receivable. The balance of the foreign-denominated accounts receivable accounts subject to risk of translation gains or losses at December 31, 2018 was approximately $32.8 million, the majority of which is denominated in U.S. dollars.

We provide financing to our international operation in Europe through an intercompany loan that requires the operation to repay the financing in U.S. dollars. The functional currency of each operation is the respective local currency. As we translate the foreign currency denominated financial statements into U.S. dollars, the translated balance of the financing (liability) is adjusted upward or downward to match the U.S. dollar obligation (receivable) on our financial statements. The upward or downward adjustment is recorded as a gain or loss on foreign currency translation in other comprehensive income.

The net asset account balance subject to foreign currency exchange rates between the local currencies and the U.S. dollar at December 31, 2018 was $54.2 million.

The following table presents the potential effect on income before income taxes of hypothetical shifts in the foreign currency exchange rate between the local currencies and the U.S. dollar of plus or minus 100 basis points, 500 basis points and 1,000 basis points based on the net asset account balance of $54.2 million at December 31, 2018.

	Effect of Basis Point Change					
	Increase in basis point of			Decrease in basis point of		
(in thousands)	100	500	1,000	100	500	1,000
Effect on income before income taxes	$ 542	2,708	5,416	(542)	(2,708)	(5,416)

Interest Rate Risk. We are also exposed to interest rate risk associated with the investing of available cash. We invest available cash in conservative short-term instruments and are primarily subject to changes in the short-term interest rates.

The following table provides information about our debt obligations that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted average interest rates by expected maturity dates. The information is presented in U.S. dollar equivalents, which is our reporting currency. The debt obligation's actual cash flows are denominated in U.S. dollars.

At December 31, 2018	Expected maturity date						
Liabilities (US$ Equivalent in millions)	2019	2020	2021	2022	2023	Thereafter	TOTAL
Long-term Debt:							
Fixed Rate	$ 21.0	11.0	750.0	—	1,100.0	1,200.0	$ 3,082.0
Average interest rate	4.18 %	4.18 %	4.28 %	—	4.42 %	4.22 %	4.26 %
Variable Rate	$ —	—	—	—	805.0	—	$ 805.0
Average interest rate	—	—	—	—	3.82 %	—	3.82 %

Item 8. Financial Statements and Supplementary Data

The “Quarterly Financial Data (Unaudited), Stock Price, Dividend Information” Section, which is set forth on page 87, and the “Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Statements of Changes in Equity, Notes to Consolidated Financial Statements, Report of Independent Registered Public Accounting Firm and Management’s Report on Internal Control Over Financial Reporting,” which are set forth on pages 35 through 86 of the Annual Report are incorporated in this document by reference.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

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Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report as required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended (“Exchange Act”). This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on this evaluation, the chief executive officer and chief financial officer concluded that as of December 31, 2018, TSYS’ disclosure controls and procedures were designed and effective to ensure that the information required to be disclosed by TSYS in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and were also designed and effective to ensure that the information required to be disclosed in the reports that TSYS files or submits under the Exchange Act is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm. “Management’s Report on Internal Control Over Financial Reporting,” which is set forth on page 86 of the Annual Report, and “Report of Independent Registered Public Accounting Firm,” which is set forth on page 85 of the Annual Report, are incorporated in this document by reference.

Changes in Internal Control Over Financial Reporting. We adopted the new revenue guidance under Accounting Standards Update 2014-09 (ASC 606) as of January 1, 2018. The adoption of this guidance required the implementation of new accounting processes, procedures and internal controls over financial reporting surrounding the adoption of the standard, periodic reporting and expanded disclosures. Additionally, on January 1, 2018, we implemented a new revenue software solution to facilitate compliance with the standard.

No other changes in our internal control over financial reporting occurred during the fourth fiscal quarter covered by this annual report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

- “PROPOSALS TO BE VOTED ON” – “PROPOSAL 1: ELECTION OF DIRECTORS,”
- “EXECUTIVE OFFICERS,”
- “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE,” and
- “CORPORATE GOVERNANCE AND BOARD MATTERS” – “Committees of the Board.”

We have a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including our principal executive officer, our principal financial officer and our chief accounting officer. You can find our Code of Business Conduct and Ethics in the Corporate Governance section of our website at www.tsys.com under “Investor Relations” then “Corporate Governance.” We will post any amendments to the Code of Business Conduct and Ethics and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE in the Corporate Governance section of our website.

Item 11. Executive Compensation

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

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- “DIRECTOR COMPENSATION,” and
- “EXECUTIVE COMPENSATION” – “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Summary Compensation Table” and the Compensation Tables and Narratives which follow the Summary Compensation Table, and “CEO Pay Ratio” and “Compensation Committee Interlocks and Insider Participation.”

The information included under the heading “Compensation Committee Report” in our Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be “soliciting material” or to be “filed” with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information pertaining to securities authorized for issuance under equity compensation plans is contained in Note 17 of Notes to Consolidated Financial Statements on pages 72 of the Annual Report and is incorporated in this document by reference.

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

- “STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS,” and
- “PRINCIPAL SHAREHOLDERS.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

- “CORPORATE GOVERNANCE AND BOARD MATTERS” – “Director Independence” and “Certain Relationships and Related Transactions.”

Item 14. Principal Accountant Fees and Services

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

· "RATIFICATION OF APPOINTMENT OF THE INDEPENDENT AUDITOR" – "Audit and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval."

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Financial Statements

The following consolidated financial statements of TSYS are incorporated in this document by reference from pages 35 through 86 of the Annual Report.

Consolidated Balance Sheets - December 31, 2018 and 2017

Consolidated Statements of Income - Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Comprehensive Income – Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows - Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Changes in Equity - Years Ended December 31, 2018, 2017 and 2016

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Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Management's Report on Internal Control Over Financial Reporting

2.Financial Statement Schedules

The following consolidated financial statement schedule of TSYS is included:

Schedule II - Valuation and Qualifying Accounts - Years Ended

December 31, 2018, 2017 and 2016

All other schedules are omitted because they are inapplicable or the required information is included in the consolidated financial statements and notes thereto.

3.Exhibits

The following exhibits are filed herewith or are incorporated to other documents previously filed with the SEC. Exhibits 10.5 through 10.28 pertain to executive compensation plans and arrangements. With the exception of those portions of the Annual Report and Proxy Statement that are expressly incorporated by reference in this Form 10-K, such documents are not to be deemed filed as part of this Form 10-K.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated December 16. 2017, by and among Total System Services, Inc., PCP CYN Merger Sub, Inc., MW CYN Merger Sub, LLC, Cayan Holdings LLC, PCP MW Holding Corp., and Parthenon Investors IV L.P. solely in its capacity as representative of the equityholders, incorporated by reference to Exhibit 2.1 of TSYS' Current Report on Form 8-K filed with the SEC on December 19, 2017
3.1	Articles of Incorporation of TSYS, as amended, incorporated by reference to Exhibit 3.1 of TSYS' Current Report on Form 8-K filed with the SEC on April 30, 2009
3.2	Bylaws of TSYS, as amended, incorporated by reference to Exhibit 3.1 of TSYS' Current Report on Form 8-K filed with the SEC on July 28, 2009

4.1	Indenture, dated as of May 22, 2013, between TSYS and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.1 of TSYS' Current Report on Form 8-K filed with the SEC on May 22, 2013
4.2	Form of 2.375% Senior Note due 2018, incorporated by reference to Exhibit 4.2 of TSYS' Current Report on Form 8-K filed with the SEC on May 22, 2013
4.3	Form of 3.750% Senior Note due 2023, incorporated by reference to Exhibit 4.3 of TSYS' Current Report on Form 8-K filed with the SEC on May 22, 2013
4.4	Senior Indenture, dated March 17, 2016, between TSYS and Regions Bank as trustee, incorporated by reference to Exhibit 4.1 of TSYS' Current Report on Form 8-K filed with the SEC on March 17, 2016
4.5	Form of 3.800% Senior Note due 2021, incorporated by reference to Exhibit 4.2 of TSYS' Current Report on Form 8-K filed with the SEC on March 17, 2016
4.6	Form of 4.800% Senior Note due 2026, incorporated by reference to Exhibit 4.3 of TSYS' Current Report on Form 8-K filed with the SEC on March 17, 2016

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4.7 Form of 4.000% Senior Note due 2023, incorporated by reference to Exhibit 4.1 of TSYS' Current Report on Form 8–K filed with the SEC on May 11, 2018

4.8 Form of 4.450% Senior Note due 2028, incorporated by reference to Exhibit 4.2 of TSYS' Current Report on Form 8–K filed with the SEC on May 11, 2018

10.1 Credit Agreement of Total System Services, Inc., dated as of February 23, 2016, with JPMorgan Chase Bank, N.A., as Administrative Agent and L/C Issuer, Bank of America, N.A., as Syndication Agent and L/C Issuer, The Bank of Tokyo-Mitsubishi UFJ, LTD., U.S. Bank National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents, and the other lenders party thereto, with J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, The Bank of Tokyo-Mitsubishi UFJ, LTD., U.S. Bank National Association and Wells Fargo Securities, LLC as joint lead arrangers and joint bookrunners, incorporated by reference to Exhibit 10.1 of TSYS' Current Report on Form 8-K filed with the SEC on February 23, 2016

10.2 Bilateral Loan Facility Commitment Letter, dated December 16, 2017, by and among Total System Services, Inc. and Bank of America N.A., incorporated by reference to Exhibit 10.1 of TSYS' Current Report on Form 8-K filed with the SEC on December 19, 2017

10.3 Credit Agreement, dated January 10, 2018, by and among Total System Services, Inc., Bank of America, N.A. as Administrative Agent, the other lenders party thereto from time to time and Bank of America Merrill Lynch, as sole lead arranger and sole bookrunner, incorporated by reference to Exhibit 10.1 of TSYS' Current Report on Form 8-K filed with the SEC on January 11, 2018

10.4 Credit Agreement of Total System Services, Inc., dated as of April 23, 2018, with Bank of America, N.A., as Administrative Agent and L/C Issuer, JPMorgan Chase Bank, N.A., as Syndication Agent, MUFG Bank, Ltd., Capital One, N.A., Regions Bank, SunTrust Bank, TD Bank, N.A., U.S. Bank National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents, and the other lenders party thereto, with Bank of America Merrill Lynch and JPMorgan Chase Bank, N.A., MUFG Bank, Ltd., Capital One, N.A., Regions Bank, Suntrust Robinson Humphrey, Inc., TD Securities (USA) LLC, U.S. Bank National Association and Wells Fargo Securities, LLC as joint lead arrangers and joint bookrunners, incorporated by reference to Exhibit 10.1 of TSYS' Current Report on Form 8-K filed with the SEC on April 24, 2018

EXECUTIVE
COMPENSATION PLANS
AND ARRANGEMENTS

10.5

	Amended and Restated Total System Services, Inc. Deferred Compensation Plan, incorporated by reference to Exhibit 10.1 of TSYS' Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on August 9, 2010
10.6	Amended and Restated Total System Services, Inc. Directors' Deferred Compensation Plan, incorporated by reference to Exhibit 10.2 of TSYS' Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, filed with the SEC on August 7, 2008
10.7	Wage Continuation Agreement of TSYS, incorporated by reference to Exhibit 10.7 of TSYS' Annual

	Report on Form 10-K for the fiscal year ended December 31, 1992, filed with the SEC on March 18, 1993
10.8	Split Dollar Insurance Agreement of TSYS, incorporated by reference to Exhibit 10.10 of TSYS' Annual Report on Form 10-K for the fiscal year ended December 31, 1993, filed with the SEC on March 22, 1994
10.9	Change of Control Agreement for executive officers of TSYS, incorporated by reference to Exhibit 10.17 of TSYS' Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 29, 2008

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10.10	Split Dollar Insurance Agreement and related Executive Benefit Substitution Agreement, incorporated by reference to Exhibit 10.19 of TSYS' Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed with the SEC on March 19, 2002
10.11	Summary of Board of Directors Compensation, incorporated by reference to Exhibit 10.1 of TSYS' Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed with the SEC on May 4, 2017
10.12	Total System Services, Inc. 2012 Omnibus Plan (formerly named the 2008 Omnibus Plan), incorporated by reference to Exhibit 10.1 of TSYS' Current Report on Form 8-K filed with

	the SEC on May 4, 2012
10.13	Form of Non-Employee Director Fully Vested Stock Option Agreement for the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.37 of TSYS' Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the SEC on February 28, 2011
10.14	Form of Non-Employee Director Fully Vested Share Award Agreement for the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.38 of TSYS' Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the SEC on February 28,

	2011
10.15	Form of Indemnification Agreement for directors and executive officers of TSYS, incorporated by reference to Exhibit 10.1 of TSYS' Current Report on Form 8-K filed with the SEC on July 26, 2007
10.16	Form of Senior Executive Stock Option Agreement for 2015 stock option awards under the Total System Services, Inc. 2012 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS' Quarterly Report on Form 10-Q for the Quarter ended March 31, 2015, filed with the SEC on May 7, 2015
10.17	Form of Senior Executive Performance Share Agreement for 2015 performance share awards under the Total System

	Services, Inc. 2012 Omnibus Plan, incorporated by reference to Exhibit 10.2 of TSYS' Quarterly Report on Form 10-Q for the Quarter ended March 31, 2015, filed with the SEC on May 7, 2015
10.18	Form of Amendment to Senior Executive Stock Option Agreement and Senior Executive Performance Share Agreement, incorporated by reference to Exhibit 10.1 of TSYS' Quarterly Report on Form 10-Q for the Quarter ended September 30, 2015, filed with the SEC on November 5, 2015
10.19	Transition and Retirement Agreement, dated June 23, 2014, between Philip W. Tomlinson and Total System Services, Inc., incorporated by reference to Exhibit 10.1 of

	TSYS' Current Report on Form 8-K filed with the SEC on June 23, 2014
10.20	Restrictive Covenant Agreement, dated June 23, 2014, between Philip W. Tomlinson and Total System Services, Inc., incorporated by reference to Exhibit 10.2 of TSYS' Current Report on Form 8-K filed with the SEC on June 23, 2014
10.21	Consulting Agreement, dated June 23, 2014, between Philip W. Tomlinson and Total System Services, Inc., incorporated by reference to Exhibit 10.3 of TSYS' Current Report on Form 8-K filed with the SEC on June 23, 2014
10.22	Form of Stock Option Agreement for stock option awards under the Total System Services, Inc. 2012 and 2017 Omnibus Plan,

incorporated by reference to Exhibit 10.1 of TSYS' Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed with the SEC on May 5, 2016

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10.23	Form of Performance Share Agreement for 2016 performance share awards under the Total System Services, Inc. 2012 Omnibus Plan, incorporated by reference to Exhibit 10.2 of TSYS' Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed with the SEC on May 5, 2016
10.24	Form of Performance Share Agreement for 2017 and 2018 performance share awards under the Total System Services, Inc. 2012 and 2017 Omnibus Plan, incorporated by reference to Exhibit 10.2 of TSYS' Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed with the SEC on May 4, 2017
10.25	

	Total System Services, Inc. 2017 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS' Current Report on Form 8-K filed with the SEC on April 28, 2017
10.26	Letter Agreement regarding separation, dated September 21, 2017, between Total System Services, Inc. and Pamela A. Joseph, incorporated by reference to Exhibit 10.1 of TSYS' Quarterly Report on Form 10-Q for the quarter ended October 31, 2017, filed with the SEC on November 7, 2017
10.27	Form of Performance Share Agreement for performance share awards with nonfinancial metrics under the Total System Services, Inc. 2017 Omnibus Plan,

	incorporated by reference to TSYS' Quarterly Report on Form 10–Q for the quarter ended March 31, 2018, filed with the SEC on May 8, 2018
10.28	Form of Amendment to Nonemployee Director Fully Vested Stock Option Agreement
13.1	Certain specified pages of TSYS' 2018 Annual Report to Shareholders which are incorporated herein by reference
21.1	Subsidiaries of Total System Services, Inc
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Powers of Attorney contained on the signature pages of this 2018 Annual Report on Form 10-K and incorporated herein by reference

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Annual Report on Form 11-K for the Total System Services, Inc. 2012 Employee Stock Purchase Plan for the year ended December 31, 2018 (to be filed as an amendment hereto within 120 days of the end of the period covered by this report)
101	Interactive Data File

We agree to furnish the SEC, upon request, a copy of each instrument with respect to issues of long-term debt. The principal amount of any individual instrument, which has not been previously filed, does not exceed ten percent of the total assets of TSYS and our subsidiaries on a consolidated basis.

Item 16. Form 10-K Summary

None.

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Schedule II

Schedule — Valuation and Qualifying Accounts

TOTAL SYSTEM SERVICES, INC.

Schedule II

Valuation and Qualifying Accounts

(in thousands)

	Balance at beginning of period	Additions Charged to costs and expenses		Deductions Write-offs		Balance at end of period
Year ended December 31, 2016:						
Provision for doubtful accounts	$ 1,757	6,970	(1)	(5,245)	(3)	$ 3,482
Provision for billing adjustments	$ 926	614	(1)	(180)	(3)	$ 1,360
Provision for merchant losses	$ 1,366	1,682	(1)	(1,009)	(3)	$ 2,039
Transaction processing provisions - processing errors	$ 6,457	3,669	(2)	(7,275)	(3)	$ 2,851
Provision for cardholder losses	$ 9,391	49,362	(4)	(48,226)	(3)	$ 10,527
Deferred tax valuation allowance	$ 18,446	4,124	(5)	(1,269)	(6)	$ 21,301
Year ended December 31, 2017:						
Provision for doubtful accounts	$ 3,482	10,796	(1)	(8,947)	(3)	$ 5,331
Provision for billing adjustments	$ 1,360	(627)	(1)	(186)	(3)	$ 547
Provision for merchant losses	$ 2,039	5,002	(1)	(2,715)	(3)	$ 4,326
Transaction processing provisions - processing errors	$ 2,851	6,714	(2)	(7,357)	(3)	$ 2,208
Provision for cardholder losses	$ 10,527	51,194	(4)	(52,202)	(3)	$ 9,519
Deferred tax valuation allowance	$ 21,301	8,648	(5)	(418)	(6)	$ 29,531
Year ended December 31, 2018:						
Provision for doubtful accounts	$ 5,331	9,658	(1)	(10,147)	(3)	$ 4,842

Provision for billing adjustments	$	547	655	(1)	(61)	(3)	$	1,141
Provision for merchant losses	$	4,326	2,649	(1)	(2,678)	(3)	$	4,297
Transaction processing provisions - processing errors	$	2,208	4,514	(2)	(3,115)	(3)	$	3,607
Provision for cardholder losses	$	9,519	65,108	(4)	(61,574)	(3)	$	13,053
Deferred tax valuation allowance	$	29,531	996	(5)	(2,710)	(6)	$	27,817

(1) Amount reflected includes charges to (recoveries of) bad debt expense which are classified in selling, general and administrative expenses and the charges for billing adjustments which are recorded against revenues.
(2) Amount reflected is the change in transaction processing provisions reflected in cost of services.
(3) Accounts deemed to be uncollectible and written off during the year as it relates to bad debts. Amounts that relate to billing adjustments and transaction processing provisions reflect actual billing adjustments and processing errors charged against the allowances. Amounts that related to cardholder losses reflect write-offs against the provision for cardholder losses.
(4) Amount represents the charges in the provision for cardholder losses reflected in cost of services.
(5) Amount represents an increase in the amount of deferred tax assets, which more likely than not, will not be realized.
(6) Amount represents a decrease in the amount of deferred tax assets, which more likely than not, will not be realized.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Total System Services, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOTAL SYSTEM SERVICES, INC.

(Registrant)

Date: February 21, 2019	By:	/s/M. Troy Woods M. Troy Woods, Chairman, President and Chief Executive Officer (Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints M. Troy Woods and Paul M. Todd each of them, his true and lawful attorney(s)-in-fact and agent(s), with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this report and to file the same, with all exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney(s)-in-fact and agent(s) full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney(s)-in-fact and agent(s), or their substitute(s), may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated.

/s/M. Troy Woods M. Troy Woods Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	Date: February 21, 2019
/s/Paul M. Todd Paul M. Todd Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	Date: February 21, 2019
/s/Dorenda K. Weaver Dorenda K. Weaver, Chief Accounting Officer (Principal Accounting Officer)	Date: February 21, 2019

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/s/Thaddeus Arroyo Thaddeus Arroyo, Director	Date: February 21, 2019
/s/Kriss Cloninger III Kriss Cloninger III, Director	Date: February 21, 2019
/s/Walter W. Driver, Jr. Walter W. Driver, Jr., Director	Date: February 21, 2019
/s/Sidney E. Harris Sidney E. Harris, Director	Date: February 21, 2019
/s/William M. Isaac William M. Isaac, Director	Date: February 21, 2019
/s/Mason H. Lampton Mason H. Lampton, Director	Date: February 21, 2019
/s/Connie D. McDaniel Connie D. McDaniel, Director	Date: February 21, 2019
/s/Richard A. Smith Richard A. Smith, Director	Date: February 21, 2019

/s/Philip W. Tomlinson Philip W. Tomlinson, Director	Date: February 21, 2019
/s/John T. Turner John T. Turner, Director	Date: February 21, 2019
/s/Richard W. Ussery Richard W. Ussery, Director	Date: February 21, 2019