
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended **June 30, 2019**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File Number **1-38962**

FISERV, INC.

(Exact Name of Registrant as Specified in Its Charter)

Wisconsin

(State or Other Jurisdiction of
Incorporation or Organization)

39-1506125

(I. R. S. Employer
Identification No.)

255 Fiserv Drive

Brookfield

WI

53045

(Address of Principal Executive Offices)

(Zip Code)

(262) 879-5000

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	FISV	The NASDAQ Stock Market LLC
0.375% Senior Notes due 2023	FISV23	The NASDAQ Stock Market LLC
1.125% Senior Notes due 2027	FISV27	The NASDAQ Stock Market LLC
1.625% Senior Notes due 2030	FISV30	The NASDAQ Stock Market LLC
2.250% Senior Notes due 2025	FISV25	The NASDAQ Stock Market LLC
3.000% Senior Notes due 2031	FISV31	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

As of July 22, 2019, there were 392,972,846 shares of common stock, \$.01 par value, of the registrant outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Fiserv, Inc.
Consolidated Statements of Income
(In millions, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue:				
Processing and services	\$ 1,328	\$ 1,207	\$ 2,621	\$ 2,445
Product	184	213	393	415
Total revenue	<u>1,512</u>	<u>1,420</u>	<u>3,014</u>	<u>2,860</u>
Expenses:				
Cost of processing and services	617	560	1,241	1,128
Cost of product	168	179	342	370
Selling, general and administrative	343	320	684	625
(Gain) loss on sale of business	—	3	(10)	(229)
Total expenses	<u>1,128</u>	<u>1,062</u>	<u>2,257</u>	<u>1,894</u>
Operating income	384	358	757	966
Interest expense	(64)	(45)	(123)	(90)
Debt financing activities	(37)	—	(96)	—
Non-operating income	8	3	11	3
Income before income taxes and (loss) income from investments in unconsolidated affiliates	291	316	549	879
Income tax provision	(60)	(72)	(91)	(212)
(Loss) income from investments in unconsolidated affiliates	(8)	7	(10)	7
Net income	<u>\$ 223</u>	<u>\$ 251</u>	<u>\$ 448</u>	<u>\$ 674</u>
Net income per share – basic				
Net income per share – basic	\$ 0.57	\$ 0.61	\$ 1.14	\$ 1.64
Net income per share – diluted				
Net income per share – diluted	\$ 0.56	\$ 0.60	\$ 1.12	\$ 1.61
Shares used in computing net income per share:				
Basic	392.5	408.4	392.1	410.7
Diluted	399.6	416.4	399.4	419.0

See accompanying notes to consolidated financial statements.

Fiserv, Inc.
Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 223	\$ 251	\$ 448	\$ 674
Other comprehensive (loss) income:				
Fair market value adjustment on cash flow hedges, net of income tax benefit of \$36 million, \$2 million, \$45 million and \$2 million	(107)	(4)	(130)	(5)
Reclassification adjustment for net realized gains on cash flow hedges included in cost of processing and services, net of income tax benefit of \$0 and \$1 million	—	(1)	—	(3)
Reclassification adjustment for net realized losses on cash flow hedges included in interest expense, net of income tax provision of \$0, \$0, \$1 million and \$1 million	1	1	2	2
Foreign currency translation	(2)	(6)	2	(6)
Total other comprehensive loss	(108)	(10)	(126)	(12)
Comprehensive income	<u>\$ 115</u>	<u>\$ 241</u>	<u>\$ 322</u>	<u>\$ 662</u>

See accompanying notes to consolidated financial statements.

Fiserv, Inc.
Consolidated Balance Sheets
(In millions)
(Unaudited)

	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 8,441	\$ 415
Trade accounts receivable, net	989	1,049
Prepaid expenses and other current assets	779	760
Total current assets	10,209	2,224
Property and equipment, net	418	398
Intangible assets, net	2,102	2,143
Goodwill	5,702	5,702
Contract costs, net	445	419
Other long-term assets	764	376
Total assets	\$ 19,640	\$ 11,262
Liabilities and Shareholders' Equity		
Accounts payable and accrued expenses	\$ 1,685	\$ 1,626
Current maturities of long-term debt	9	4
Contract liabilities	360	380
Total current liabilities	2,054	2,010
Long-term debt	13,747	5,955
Deferred income taxes	713	745
Long-term contract liabilities	106	89
Other long-term liabilities	474	170
Total liabilities	17,094	8,969
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value: 25.0 million shares authorized; none issued	—	—
Common stock, \$0.01 par value: 1,800.0 million shares authorized; 791.4 million shares issued	8	8
Additional paid-in capital	1,056	1,057
Accumulated other comprehensive loss	(193)	(67)
Retained earnings	12,083	11,635
Treasury stock, at cost, 398.5 million and 398.9 million shares	(10,408)	(10,340)
Total shareholders' equity	2,546	2,293
Total liabilities and shareholders' equity	\$ 19,640	\$ 11,262

See accompanying notes to consolidated financial statements.

Fiserv, Inc.
Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 448	\$ 674
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Depreciation and other amortization	202	184
Amortization of acquisition-related intangible assets	89	80
Amortization of financing costs, debt discounts and other	105	6
Share-based compensation	34	36
Deferred income taxes	12	80
Gain on sale of business	(10)	(229)
Loss (income) from investments in unconsolidated affiliates	10	(7)
Settlement of interest rate hedge contracts	(183)	—
Other operating activities	(3)	2
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Trade accounts receivable	60	(11)
Prepaid expenses and other assets	(62)	(64)
Contract costs	(93)	(76)
Accounts payable and other liabilities	(28)	17
Contract liabilities	(2)	(79)
Net cash provided by operating activities from continuing operations	579	613
Cash flows from investing activities:		
Capital expenditures, including capitalization of software costs	(210)	(169)
Proceeds from sale of business	10	419
Payments for acquisition of business, including working capital adjustments	54	—
Distributions from unconsolidated affiliates	7	—
Purchases of investments	(3)	(2)
Other investing activities	6	(12)
Net cash (used in) provided by investing activities from continuing operations	(136)	236
Cash flows from financing activities:		
Debt proceeds	9,894	1,161
Debt repayments	(2,018)	(1,257)
Payments of debt financing, redemption and other costs	(164)	—
Proceeds from issuance of treasury stock	56	44
Purchases of treasury stock, including employee shares withheld for tax obligations	(185)	(824)
Other financing activities	—	7
Net cash provided by (used in) financing activities from continuing operations	7,583	(869)
Net change in cash and cash equivalents from continuing operations	8,026	(20)
Net cash flows from discontinued operations	—	43
Cash and cash equivalents, beginning balance	415	325
Cash and cash equivalents, ending balance	\$ 8,441	\$ 348
Discontinued operations cash flow information:		
Net cash used in operating activities	\$ —	\$ (7)
Net cash provided by investing activities	—	50
Net change in cash and cash equivalents from discontinued operations	\$ —	\$ 43

See accompanying notes to consolidated financial statements.

Fiserv, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The consolidated financial statements for the three and six months ended June 30, 2019 and 2018 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year. The consolidated financial statements and accompanying notes are presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and accompanying notes of Fiserv, Inc. (the “Company”). These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. Certain prior period amounts have been reclassified to conform to current period presentation.

Effective January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), and its related amendments using the optional transition method applied to all leases. Prior period amounts have not been restated. Additional information about the Company’s lease policies and the related impact of the adoption is included in Notes 2 and 14 to the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Fiserv, Inc. and all 100% owned subsidiaries. Investments in less than 50% owned affiliates in which the Company has significant influence but not control are accounted for using the equity method of accounting. All intercompany transactions and balances have been eliminated in consolidation.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (“ASU 2018-07”), which simplifies the accounting for share-based payments granted to nonemployees by largely aligning it with the accounting for share-based payments to employees. For public entities, ASU 2018-07 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Entities must apply the standard, using a modified retrospective transition approach, with a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption for all liability-classified nonemployee awards that have not been settled as of the adoption date and equity-classified nonemployee awards for which a measurement date has not been established. The Company adopted ASU 2018-07 on January 1, 2019, and the adoption did not have any impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, which requires lessees to recognize a lease liability and a right-of-use asset for each lease with a term longer than twelve months. The recognized liability is measured at the present value of lease payments not yet paid, and the corresponding asset represents the lessee’s right to use the underlying asset over the lease term and is based on the liability, subject to certain adjustments. For income statement and statement of cash flow purposes, the standard retains the dual model with leases classified as either operating or finance. Operating leases result in straight-line expense while finance leases result in a front-loaded expense pattern. The standard prescribes a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. ASU 2016-02 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842*; ASU No. 2018-11, *Leases (Topic 842) - Targeted Improvements*; ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*; and ASU No. 2019-01, *Leases (Topic 842) - Codification Improvements*. ASU No. 2018-11 provides an additional transition method allowing entities to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. For public entities, ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018.

The Company adopted the new standard effective January 1, 2019 using the optional transition method in ASU No. 2018-11. Under this method, the Company has not adjusted its comparative period financial statements for the effects of the new standard or made the new, expanded required disclosures for periods prior to the effective date. The Company elected the package of practical expedients permitted under the transition guidance in ASU 2016-02 to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company also elected the practical expedient not to separate the non-lease components of a contract from the lease component to which they relate.

The adoption of the new lease standard resulted in the recognition of lease liabilities of \$383 million and right-of-use assets of \$343 million, which include the impact of existing deferred rents and tenant improvement allowances on the consolidated balance sheet as of January 1, 2019 for real and personal property operating leases. The adoption of ASU 2016-02 did not have a material impact on the Company's consolidated statements of income or consolidated statements of cash flows.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"), which aligns the requirements for capitalizing implementation costs incurred in a cloud computing hosting arrangement that is a service contract with the requirements under Accounting Standards Codification ("ASC") 350 for capitalizing implementation costs incurred to develop or obtain internal-use software. For public entities, ASU 2018-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, with early adoption permitted. Entities are permitted to apply either a retrospective or prospective transition approach to adopt the guidance. The Company plans to adopt ASU 2018-15 on January 1, 2020 and does not expect the adoption to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which removes, modifies, and adds certain disclosure requirements of ASC Topic 820, *Fair Value Measurement*. ASU 2018-13 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2019, with the additional disclosures required to be applied prospectively and the modified and removed disclosures required to be applied retrospectively to all periods presented. Entities are permitted to early adopt the removed or modified disclosures and delay the adoption of the additional disclosures until the effective date. The Company is currently assessing the impact that the adoption of ASU 2018-13 will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13"), which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For public entities, ASU 2016-13 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For most instruments, entities must apply the standard using a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year of adoption. The Company is currently assessing the impact that the adoption of ASU 2016-13 will have on its consolidated financial statements.

3. Revenue Recognition

The Company generates revenue from the delivery of processing, service and product solutions. Revenue is measured based on consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer which may be at a point in time or over time.

Disaggregation of Revenue

The tables below present the Company's revenue disaggregated by major business, including a reconciliation with its reportable segments. Most of the Company's revenue is earned domestically within these major businesses, with revenue from clients outside the United States comprising approximately 6% and 5% of total revenue for the six months ended June 30, 2019 and 2018, respectively.

(In millions)	Reportable Segments			
	Payments	Financial	Corporate and Other	Total
Three Months Ended June 30, 2019				
Major Business				
Digital Money Movement	\$ 362	\$ —	\$ —	\$ 362
Card and Related Services	469	—	—	469
Other	86	—	—	86
Total Payments	917	—	—	917
Account and Item Processing	—	526	—	526
Other	—	78	—	78
Total Financial	—	604	—	604
Corporate and Other	—	—	(9)	(9)
Total Revenue	\$ 917	\$ 604	\$ (9)	\$ 1,512

(In millions)	Reportable Segments			
	Payments	Financial	Corporate and Other	Total
Three Months Ended June 30, 2018				
Major Business				
Digital Money Movement	\$ 356	\$ —	\$ —	\$ 356
Card and Related Services	400	—	—	400
Other	81	—	—	81
Total Payments	837	—	—	837
Account and Item Processing	—	530	—	530
Other	—	60	—	60
Total Financial	—	590	—	590
Corporate and Other	—	—	(7)	(7)
Total Revenue	\$ 837	\$ 590	\$ (7)	\$ 1,420

(In millions)	Reportable Segments			
	Payments	Financial	Corporate and Other	Total
Six Months Ended June 30, 2019				
Major Business				
Digital Money Movement	\$ 729	\$ —	\$ —	\$ 729
Card and Related Services	938	—	—	938
Other	164	—	—	164
Total Payments	1,831	—	—	1,831
Account and Item Processing	—	1,059	—	1,059
Other	—	143	—	143
Total Financial	—	1,202	—	1,202
Corporate and Other	—	—	(19)	(19)
Total Revenue	\$ 1,831	\$ 1,202	\$ (19)	\$ 3,014

(In millions)	Reportable Segments			
	Payments	Financial	Corporate and Other	Total
Six Months Ended June 30, 2018				
Major Business				
Digital Money Movement	\$ 708	\$ —	\$ —	\$ 708
Card and Related Services	814	—	—	814
Other	157	—	—	157
Total Payments	1,679	—	—	1,679
Account and Item Processing	—	1,036	—	1,036
Lending Solutions	—	56	—	56
Other	—	114	—	114
Total Financial	—	1,206	—	1,206
Corporate and Other	—	—	(25)	(25)
Total Revenue	\$ 1,679	\$ 1,206	\$ (25)	\$ 2,860

Contract Balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

(In millions)	June 30, 2019	December 31, 2018
Contract assets	\$ 204	\$ 171
Contract liabilities	466	469

Contract assets, reported within other long-term assets in the consolidated balance sheets, primarily result from revenue being recognized where payment is contingent upon the transfer of services to a customer over the contractual period. Contract liabilities primarily relate to advance consideration received from customers (deferred revenue) for which transfer of control occurs, and therefore revenue is recognized, as services are provided. Contract balances are reported in a net contract asset or liability position on a contract-by-contract basis at the end of each reporting period.

The Company recognized \$248 million of revenue during the six months ended June 30, 2019 that was included in the contract liability balance at the beginning of the period, which exceeded advance cash receipts for services yet to be provided.

Transaction Price Allocated to Remaining Performance Obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

(In millions)	Remainder of:				
June 30, 2019	2019	2020	2021	2022	Thereafter
Processing and services	\$ 549	\$ 943	\$ 772	\$ 560	\$ 746
Product	16	31	22	12	11

The Company applies the optional exemption in paragraph 606-10-50-14(b) and does not disclose information about remaining performance obligations for account- and transaction-based processing fees that qualify for recognition in accordance with paragraph 606-10-55-18. These contracts generally have terms of three to five years, and contain variable consideration for stand-ready performance obligations for which the exact quantity and mix of transactions to be processed are contingent upon the customer's request. The Company also applies the optional exemptions in paragraph 606-10-50-14A and does not disclose information for variable consideration, including additional seat licenses, that is a sales-based or usage-based royalty promised in exchange for a license of intellectual property or that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service in a series. The amounts disclosed above as remaining performance obligations consist primarily of fixed or monthly minimum processing fees and maintenance fees under contracts with an original expected duration of greater than one year.

4. Acquisitions

On October 31, 2018, the Company acquired the debit card processing, ATM Managed Services, and MoneyPass® surcharge-free network of Elan Financial Services, a unit of U.S. Bancorp (“Elan”), for approximately \$659 million. Such purchase price includes an initial cash payment of \$691 million, less the receipt of post-closing working capital adjustments of \$57 million in 2019, plus contingent consideration related to earn-out provisions estimated at a fair value of \$12 million and future payments under a transition services agreement estimated to be in excess of fair value of \$13 million. This acquisition, included within the Payments segment, deepens the Company’s presence in debit card processing, broadens its client reach and scale, and provides new solutions to enhance the value proposition for its existing debit solution clients.

The preliminary allocation of purchase price recorded for Elan as of June 30, 2019 was as follows:

(In millions)	
Trade accounts receivable	\$ 20
Prepaid expenses and other current assets	94
Property and equipment	9
Intangible assets	353
Goodwill	238
Accounts payable and other current liabilities	(55)
Total purchase price	\$ 659

The amounts allocated to goodwill and intangible assets were based on preliminary valuations and are subject to final adjustment. Goodwill, expected to be deductible for tax purposes, is primarily attributed to synergies, including the migration of Elan’s clients to the Company’s debit platform, and the anticipated value created by selling the Company’s products and services outside of card payments to Elan’s existing client base. The values allocated to intangible assets are as follows:

(In millions)	Gross Carrying Amount	Weighted-Average Useful Life
Customer related intangible assets	\$ 350	15 years
Trade name	3	8 years
	\$ 353	15 years

In conjunction with the acquisition, the Company entered into a transition services agreement for the provision of certain processing, network, administrative and managed services for a period of two years. The results of operations for Elan consisting of \$45 million and \$91 million of revenue and \$5 million and \$14 million of operating income, including \$6 million and \$12 million of acquired intangible asset amortization, for the three and six months ended June 30, 2019, respectively, have been included within the accompanying consolidated statements of income.

On January 16, 2019, the Company announced that it had entered into a definitive merger agreement to acquire First Data Corporation (“First Data”) in an all-stock transaction for an equity value of approximately \$22 billion as of the announcement. Fiserv and First Data have received the final required regulatory approvals and non-objections needed to complete the proposed acquisition. Subject to the satisfaction or waiver of the remaining customary contractual conditions set forth in the merger agreement, the parties expect to close the transaction on or about July 29, 2019. See Note 13 for a description of related debt financing activities.

5. Discontinued Operations

On January 10, 2018, the Company completed the sale of the retail voucher business, MyVoucherCodes, acquired as part of its acquisition of Monitise plc in September 2017 for proceeds of £37 million (\$50 million). The corresponding proceeds received during the six months ended June 30, 2018 are presented within discontinued operations since the business was never considered part of the Company’s ongoing operations. There was no impact to operating income or gain/loss recognized on the sale during the six months ended June 30, 2018.

Cash flows from discontinued operations during the six months ended June 30, 2018 also included tax payments of \$7 million related to income recognized in 2017 from a prior disposition.

6. Investments in Unconsolidated Affiliates

On March 29, 2018, the Company completed the sale of a 55% controlling interest of each of Fiserv Automotive Solutions, LLC and Fiserv LS LLC, which were subsidiaries of the Company that owned its Lending Solutions business (collectively, the “Lending Joint Ventures”), to funds affiliated with Warburg Pincus LLC. The Lending Joint Ventures, which were reported within the Financial segment, included all of the Company’s automotive loan origination and servicing products, as well as its LoanServ™ mortgage and consumer loan servicing platform. The Company received gross sale proceeds of \$419 million from the transactions. During the six months ended June 30, 2018, the Company recognized a pre-tax gain on the sale of \$229 million, with the related tax expense of \$77 million recorded through the income tax provision, in the consolidated statements of income. The pre-tax gain included \$124 million related to the remeasurement of the Company’s 45% retained interests based upon the estimated enterprise value of the Lending Joint Ventures. During the six months ended June 30, 2019, the Company recognized a pre-tax gain on the sale of \$10 million, with the related tax expense of \$2 million recorded through the income tax provision, as contingent special distribution provisions within the transaction agreement were resolved and thereby realized. The Company’s remaining 45% ownership interests in the Lending Joint Ventures are accounted for as equity method investments, with the Company’s share of net (loss) income reported as (loss) income from investments in unconsolidated affiliates and the related tax (benefit) expense reported within the income tax provision in the consolidated statements of income. During the three months ended June 30, 2019, the Company received a cash distribution of \$7 million from the Lending Joint Ventures, which was recorded as a reduction in the Company’s investment in the Lending Joint Ventures. The entire distribution represented a return of the Company’s investment and is reported in cash flows from investing activities. The Company’s investment in the Lending Joint Ventures was \$48 million and \$65 million at June 30, 2019 and December 31, 2018, respectively, and is reported within other long-term assets in the consolidated balance sheets. The revenues, expenses and cash flows of the Lending Joint Ventures after the sale transactions are not included in the Company’s consolidated financial statements.

Prior to the sale transactions described above, the Lending Joint Ventures entered into variable-rate term loan facilities for an aggregate amount of \$350 million in senior unsecured debt and variable-rate revolving credit facilities for an aggregate amount of \$35 million with a syndicate of banks, which transferred to the Lending Joint Ventures as part of the sale. The Company has guaranteed this debt of the Lending Joint Ventures and does not anticipate that the Lending Joint Ventures will fail to fulfill their debt obligations. These debt facilities mature in March 2023, and there are no outstanding borrowings on the revolving credit facilities as of June 30, 2019. The Company recorded an initial \$34 million liability as a reduction to the gain on sale transactions for the estimated fair value of its obligations to stand ready to perform over the term of the guarantees, which is reported primarily within other long-term liabilities in the consolidated balance sheets. Such guarantees will be amortized in future periods over the contractual term. The Company recognized \$2 million during both the three months ended June 30, 2019 and 2018, and \$3 million and \$2 million during the six months ended June 30, 2019 and 2018, respectively, within non-operating income in its consolidated statements of income related to its release from risk under the guarantees. The Company has not made any payments under the guarantees, nor has it been called upon to do so. In conjunction with the sale transactions described above, the Company also entered into certain transition services agreements to provide, at fair value, various administration, business process outsourcing, technical and data center related services for defined periods to the Lending Joint Ventures. Amounts transacted through these agreements approximated \$9 million and \$18 million during the three and six months ended June 30, 2019, respectively, and \$10 million during the three and six months ended June 30, 2018, and were primarily recognized as processing and services revenue in the consolidated statements of income.

7. Share-Based Compensation

The Company recognized \$15 million and \$34 million of share-based compensation expense during the three and six months ended June 30, 2019, respectively, and \$17 million and \$36 million of share-based compensation expense during the three and six months ended June 30, 2018, respectively. The Company's annual grant of share-based awards generally occurs in the first quarter. During the six months ended June 30, 2019 and 2018, stock options to purchase 1.7 million and 1.9 million shares, respectively, were exercised.

A summary of stock option, restricted stock unit and performance share unit grant activity is as follows:

	Six Months Ended June 30,			
	2019		2018	
	Shares Granted (In thousands)	Weighted-Average Grant Date Fair Value	Shares Granted (In thousands)	Weighted-Average Grant Date Fair Value
Stock options	1,171	\$ 28.43	1,265	\$ 22.43
Restricted stock units	371	84.84	501	70.14
Performance share units	—	—	165	75.39

8. Income Taxes

Income tax provision as a percentage of income before (loss) income from investments in unconsolidated affiliates was 20.9% and 23.0% in the three months ended June 30, 2019 and 2018, respectively, and was 16.6% and 24.2% in the six months ended June 30, 2019 and 2018, respectively. The rate in the six months ended June 30, 2019 includes discrete benefits due to a loss from subsidiary restructuring. The rate in the six months ended June 30, 2018 includes \$77 million of income tax expense associated with the \$229 million gain on the sale of a 55% interest of the Company's Lending Solutions business (see Note 6).

9. Shares Used in Computing Net Income Per Share

The computation of shares used in calculating basic and diluted net income per common share is as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Weighted-average common shares outstanding used for the calculation of net income per share – basic	392.5	408.4	392.1	410.7
Common stock equivalents	7.1	8.0	7.3	8.3
Weighted-average common shares outstanding used for the calculation of net income per share – diluted	399.6	416.4	399.4	419.0

For the three months ended June 30, 2019 and 2018, stock options for 1.2 million and 1.3 million shares, respectively, were excluded from the calculation of diluted weighted-average outstanding shares because their impact was anti-dilutive. For both the six months ended June 30, 2019 and 2018, stock options for 1.0 million shares were excluded from the calculation of diluted weighted-average outstanding shares because their impact was anti-dilutive.

10. Fair Value Measurements

The Company applies fair value accounting for all assets and liabilities that are recognized or disclosed at fair value in its consolidated financial statements on a recurring basis. Fair value represents the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability.

The fair values of cash equivalents, trade accounts receivable, settlement assets and obligations, accounts payable, and client deposits approximate their respective carrying values due to the short period of time to maturity. The estimated fair value of total debt was based on quoted prices in active markets for the Company's senior notes (level 1 of the fair value hierarchy). The fair value of the Company's revolving credit facility borrowings approximates carrying value as the underlying interest rate is

variable based on LIBOR. The estimated fair value of total debt was \$14.0 billion and \$6.0 billion at June 30, 2019 and December 31, 2018, respectively. See Note 13 for a description of debt financing activities in connection with the Company's proposed acquisition of First Data.

The estimated fair value of the contingent consideration liability of \$12 million at June 30, 2019 related to the acquisition of Elan (see Note 4) was based on the present value of a probability-weighted assessment approach derived from the likelihood of achieving the earn-out criteria (level 3 of the fair value hierarchy). This estimated fair value has not changed since the acquisition date. The aggregate fair values of the Company's debt guarantee arrangements (see Note 6) with the Lending Joint Ventures approximate the \$26 million carrying values at June 30, 2019 (level 3 of the fair value hierarchy). The contingent consideration and debt guarantee liabilities are reported primarily in other long-term liabilities in the consolidated balance sheets.

11. Intangible Assets

Intangible assets consisted of the following:

<u>(In millions)</u>	Gross Carrying Amount	Accumulated Amortization	Net Book Value
June 30, 2019			
Customer related intangible assets	\$ 2,642	\$ 1,365	\$ 1,277
Acquired software and technology	591	505	86
Trade names	120	74	46
Capitalized software development costs	893	353	540
Purchased software	273	120	153
Total	<u>\$ 4,519</u>	<u>\$ 2,417</u>	<u>\$ 2,102</u>

<u>(In millions)</u>	Gross Carrying Amount	Accumulated Amortization	Net Book Value
December 31, 2018			
Customer related intangible assets	\$ 2,642	\$ 1,294	\$ 1,348
Acquired software and technology	591	490	101
Trade names	120	71	49
Capitalized software development costs	810	314	496
Purchased software	261	112	149
Total	<u>\$ 4,424</u>	<u>\$ 2,281</u>	<u>\$ 2,143</u>

The Company estimates that annual amortization expense with respect to acquired intangible assets recorded at June 30, 2019, which include customer related intangible assets, acquired software and technology, and trade names, will be approximately \$180 million in 2019, \$160 million in 2020, \$150 million in each of 2021 and 2022, and \$140 million in 2023. Amortization expense with respect to capitalized and purchased software recorded at June 30, 2019 is estimated to approximate \$210 million in 2019.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

<u>(In millions)</u>	June 30, 2019	December 31, 2018
Trade accounts payable	\$ 107	\$ 127
Client deposits	597	564
Settlement obligations	491	480
Accrued compensation and benefits	133	199
Current operating lease liabilities	74	—
Other accrued expenses	283	256
Total	<u>\$ 1,685</u>	<u>\$ 1,626</u>

13. Long-Term Debt

On January 16, 2019, in connection with the definitive merger agreement to acquire First Data (see Note 4), the Company entered into a bridge facility commitment letter pursuant to which a group of financial institutions committed to provide a 364-day senior unsecured bridge term loan facility in an aggregate principal amount of \$17.0 billion for the purpose of refinancing certain indebtedness of First Data and its subsidiaries on the closing date of the merger, making cash payments in lieu of fractional shares as part of the merger consideration, and paying fees and expenses related to the merger, the refinancing and the related transactions. The Company recorded \$37 million and \$96 million of expenses, reported within debt financing activities in the consolidated statements of income, related to the bridge term loan facility during the three and six months ended June 30, 2019, respectively. There were no outstanding borrowings under the bridge term loan facility at June 30, 2019. The aggregate commitments of \$17.0 billion under the bridge facility commitment letter have been replaced with a corresponding amount of permanent financing through the term loan credit agreement and issuance of senior notes, as described below, resulting in the termination of the bridge term loan facility effective July 1, 2019.

On February 6, 2019, the Company entered into an amendment to its amended and restated revolving credit facility to (i) amend the maximum leverage ratio covenant to permit it to elect to increase the permitted maximum leverage ratio from three and one-half times the Company's consolidated net earnings before interest, taxes, depreciation, amortization, non-cash charges and expenses and certain other adjustments ("EBITDA") to either four times or four and one-half times the Company's EBITDA for a specified period following certain acquisitions and (ii) permit it to make drawings under the revolving credit facility on the closing date of its acquisition of First Data subject to only limited conditions. In addition, on February 15, 2019, the Company entered into a second amendment to its existing revolving credit agreement in order to increase the aggregate commitments available thereunder by \$1.5 billion and to make certain additional amendments to facilitate the operation of the combined business following the acquisition of First Data. The increased commitments and additional amendments related to the revolving credit facility will become effective upon the satisfaction or waiver of conditions that are substantially similar to the conditions to funding under the term loan facility described below.

On February 15, 2019, the Company entered into a new term loan credit agreement with a syndicate of financial institutions pursuant to which such financial institutions have committed to provide the Company with a senior unsecured term loan facility in an aggregate principal amount of \$5.0 billion, consisting of \$1.5 billion in commitments to provide loans with a three-year maturity and \$3.5 billion in commitments to provide loans with a five-year maturity. The availability of loans under the term loan facility is subject to the satisfaction or waiver of certain conditions, including (i) the closing of the acquisition substantially concurrently with the funding of such loans, (ii) the absence of a material adverse effect with respect to First Data since January 16, 2019, (iii) the truth and accuracy in all material respects of certain representations and warranties, (iv) the receipt of certain certificates, and (v) the receipt of certain financial statements. Loans drawn under the term loan facility will be subject to amortization at an annual rate of 5% for the first two years and 7.5% thereafter (with loans outstanding under the five-year tranche subject to amortization at an annual rate of 10% after the fourth anniversary of the commencement of amortization), with accrued and unpaid amortization amounts required to be paid on the last business day in December of each year. Borrowings under the term loan facility will bear interest at variable rates based on LIBOR or on a base rate plus, in each case, a specified margin based on the Company's long-term debt rating in effect from time to time. The Company is also required to pay a ticking fee that accrues on the aggregate undrawn commitments under the term loan facility at a per annum rate based upon the Company's long-term debt rating in effect from time to time. The term loan credit agreement contains affirmative, negative and financial covenants, and events of default, that are substantially the same as those set forth in the Company's existing revolving credit facility, as amended as described above.

On June 24, 2019, the Company completed an offering of \$9.0 billion aggregate principal amount of senior notes comprised of \$2.0 billion aggregate principal amount of 2.75% senior notes due in July 2024, \$2.0 billion aggregate principal amount of 3.2% senior notes due in July 2026, \$3.0 billion aggregate principal amount of 3.5% senior notes due in July 2029 and \$2.0 billion aggregate principal amount of 4.4% senior notes due in July 2049. The senior notes pay interest semi-annually on January 1 and July 1, commencing on January 1, 2020. The indentures governing the senior notes contain covenants that, among other matters, limit (i) the Company's ability to consolidate or merge with or into, or convey, transfer or lease all or substantially all of its properties and assets to another person, (ii) the Company's and certain of its subsidiaries' ability to create or assume liens, and (iii) the Company's and certain of its subsidiaries' ability to engage in sale and leaseback transactions. The Company may, at its option, redeem the senior notes, in whole or in part, at any time prior to the applicable par call date. If the proposed merger between the Company and First Data is terminated, has not been consummated, or the Company uses reasonable judgment to determine that the merger will not be consummated, on or prior to April 16, 2020, the Company is required to redeem all outstanding senior notes at a price equal to 101% of the aggregate principal amount plus any accrued and unpaid interest. The Company intends to use the net proceeds of the senior notes to refinance indebtedness in connection with the closing of the merger with First Data and used a portion of the net proceeds from the offering described above to repay all outstanding borrowings totaling \$790 million under its amended and restated revolving credit facility pending such use.

Remaining proceeds were invested in a highly liquid institutional bank deposit held at a single financial institution and were recorded as cash equivalents on the consolidated balance sheet as of June 30, 2019.

In June 2019, the Company entered into an underwriting agreement with a syndicate of financial institutions for the issuance and sale of €1.5 billion aggregate principal amount and £1.05 billion aggregate principal amount of senior notes comprised of €500 million aggregate principal amount of 0.375% senior notes due in July 2023, €500 million aggregate principal amount of 1.125% senior notes due in July 2027, €500 million aggregate principal amount of 1.625% senior notes due in July 2030, £525 million aggregate principal amount of 2.25% senior notes due in July 2025, and £525 million aggregate principal amount of 3.0% senior notes due in July 2031. The Company completed its offering of these senior notes on July 1, 2019, therefore, such senior notes are not reflected within the consolidated balance sheet as of June 30, 2019. The senior notes pay interest annually on July 1, commencing on July 1, 2020. The indentures governing the senior notes contain covenants that are substantially the same as those set forth in the Company's \$9.0 billion aggregate principal amount senior notes described above.

In connection with the anticipated issuance of the senior notes described above, the Company entered into foreign exchange forward contracts to minimize foreign currency exposure to the Euro and British Pound upon settlement of the proceeds from the senior notes. At June 30, 2019, the notional amount of these derivatives was £1.05 billion (\$1.34 billion) and €563 million (\$641 million), and the fair value totaling \$2.0 million was reported in prepaid expenses and other current assets in the consolidated balance sheet and in debt financing activities in the consolidated statement of income as of and during the three months ended June 30, 2019. The foreign exchange forward contracts matured on July 1, 2019, concurrent with the offering of the senior notes described above.

14. Leases

The Company adopted ASU 2016-02 and its related amendments (collectively known as "ASC 842") effective January 1, 2019 using the optional transition method in ASU 2018-11. Therefore, the reported results for the three and six months ended June 30, 2019 reflect the application of ASC 842 while the reported results for the three and six months ended June 30, 2018 were not adjusted and continue to be reported under the accounting guidance, ASC 840, *Leases* ("ASC 840"), in effect for the prior periods.

The Company determines if an arrangement is a lease at inception. The lease term begins on the commencement date, which is the date the Company takes possession of the property, and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The lease term is used to determine lease classification as an operating or finance lease and is used to calculate straight-line lease expense for operating leases. The Company elected the package of practical expedients permitted under the transition guidance within ASU 2016-02 to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all asset classes, which are comprised of real estate leases and equipment leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets also include prepaid lease payments and exclude lease incentives received. The Company estimates contingent lease incentives when it is probable that the Company is entitled to the incentive at lease commencement. As the Company's leases typically do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date for both real estate and equipment leases. The determination of the incremental borrowing rate requires judgment. The Company determines the incremental borrowing rate using the Company's current unsecured borrowing rate, adjusted for various factors such as collateralization and term to align with the terms of the lease. The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the balance sheet; instead, lease payments are recognized as lease expense on a straight-line basis over the lease term.

The Company leases certain office space, data centers, and equipment. The Company's leases have remaining lease terms of one to 11 years. Most leases contain renewal options for varying periods, which are at the Company's sole discretion. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred. Certain leases include options to purchase the leased asset at the end of the lease term, which is assessed as a part of the Company's lease classification determination. The depreciable life of the ROU assets and leasehold improvements are limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option.

Lease Balances

(In millions)	June 30, 2019	
Assets		
Operating lease assets ⁽¹⁾	\$	361
Finance lease assets ⁽²⁾		24
Total lease assets	\$	385
Liabilities		
Current		
Operating lease liabilities ⁽¹⁾	\$	74
Finance lease liabilities ⁽²⁾		7
Noncurrent		
Operating lease liabilities ⁽¹⁾		327
Finance lease liabilities ⁽²⁾		11
Total lease liabilities	\$	419

⁽¹⁾ Operating lease assets are included within other long-term assets, and operating lease liabilities are included within accounts payable and accrued expenses (current portion) and other long-term liabilities (noncurrent portion) in the Company's consolidated balance sheet. Operating lease assets are recorded net of accumulated amortization of \$39 million as of June 30, 2019.

⁽²⁾ Finance lease assets are included within property and equipment, net and finance lease liabilities are included within current maturities of long-term debt (current portion) and long-term debt (noncurrent portion) in the Company's consolidated balance sheets. Finance lease assets are recorded net of accumulated amortization of \$10 million as of June 30, 2019.

Components of Lease Cost

(In millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost ⁽¹⁾	\$ 38	\$ 77
Finance lease cost ⁽²⁾		
Amortization of right-of-use assets	1	2
Interest on lease liabilities	—	—
Total lease cost	\$ 39	\$ 79

⁽¹⁾ Operating lease expense is included within cost of processing and services, cost of product and selling, and general and administrative expense, dependent upon the nature and use of the ROU asset, in the Company's consolidated statements of income. Operating lease cost includes approximately \$15 million and \$28 million of variable lease costs for the three and six months ended June 30, 2019, respectively.

⁽²⁾ Finance lease expense is recorded as depreciation and amortization expense within cost of processing and services, cost of product and selling, and general and administrative expense, dependent upon the nature and use of the ROU asset, and interest expense in the Company's consolidated statements of income.

Supplemental Cash Flow Information

(In millions)	Six Months Ended June 30, 2019	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	53
Operating cash flows from finance leases		—
Financing cash flows from finance leases		11
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	\$	56
Finance leases		15

Lease Term and Discount Rate

	June 30, 2019
Weighted-average remaining lease term	
Operating leases	6 years
Finance leases	3 years
Weighted-average discount rate	
Operating leases	3.5%
Finance leases	3.5%

Maturity of Lease Liabilities under ASC 842

Future minimum rental payments on leases with initial non-cancellable lease terms in excess of one year were due as follows at June 30, 2019:

(In millions)

Year ending December 31,	Operating Leases ⁽¹⁾	Finance Leases
2019	\$ 45	\$ 2
2020	79	7
2021	70	7
2022	58	1
2023	47	1
Thereafter	140	1
Total lease payments	439	19
Less: Interest	(38)	(1)
Present value of lease liabilities	\$ 401	\$ 18

⁽¹⁾ Operating lease payments include \$61 million related to options to extend lease terms that are reasonably certain of being exercised and exclude \$13 million of legally binding minimum lease payments for leases signed but not yet commenced. Operating leases that have been signed but not yet commenced are for real estate and equipment and will commence in 2019 with lease terms of one to seven years.

Maturity of Lease Liabilities under ASC 840

Future minimum rental payments on operating leases with initial non-cancellable lease terms in excess of one year were due as follows at December 31, 2018:

(In millions)

Year ending December 31,		
2019	\$	94
2020		75
2021		62
2022		51
2023		40
Thereafter		108
Total	\$	430

Rent expense for all operating leases was \$118 million and \$126 million during the years ended December 31, 2018 and 2017, respectively.

15. Shareholders' Equity

The following tables provide changes in shareholders' equity during the three and six months ended June 30, 2019 and 2018.

Three Months Ended June 30, 2019	Number of Shares		Amount					
	Common Shares	Treasury Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	<i>(In millions)</i>							
Balance at March 31, 2019	791	399	\$ 8	\$ 1,034	\$ (85)	\$ 11,860	\$ (10,423)	\$ 2,394
Net income						223		223
Other comprehensive loss					(108)			(108)
Share-based compensation				15				15
Shares issued under stock plans		—		7			15	22
Purchases of treasury stock		—					—	—
Balance at June 30, 2019	791	399	\$ 8	\$ 1,056	\$ (193)	\$ 12,083	\$ (10,408)	\$ 2,546

Three Months Ended June 30, 2018	Number of Shares		Amount					
	Common Shares	Treasury Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	<i>(In millions)</i>							
Balance at March 31, 2018	791	380	\$ 8	\$ 1,005	\$ (56)	\$ 10,871	\$ (8,857)	\$ 2,971
Net income						251		251
Other comprehensive loss					(10)			(10)
Share-based compensation				17				17
Shares issued under stock plans		—		1			11	12
Purchases of treasury stock		5					(391)	(391)
Balance at June 30, 2018	791	385	\$ 8	\$ 1,023	\$ (66)	\$ 11,122	\$ (9,237)	\$ 2,850

Six Months Ended June 30, 2019	Number of Shares		Amount					
	Common Shares	Treasury Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	<i>(In millions)</i>							
Balance at December 31, 2018	791	399	\$ 8	\$ 1,057	\$ (67)	\$ 11,635	\$ (10,340)	\$ 2,293
Net income						448		448
Other comprehensive loss					(126)			(126)
Share-based compensation				34				34
Shares issued under stock plans		(2)		(35)			52	17
Purchases of treasury stock		2					(120)	(120)
Balance at June 30, 2019	791	399	\$ 8	\$ 1,056	\$ (193)	\$ 12,083	\$ (10,408)	\$ 2,546

Six Months Ended June 30, 2018

	Number of Shares		Amount					
	Common Shares	Treasury Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
(In millions)								
Balance at December 31, 2017	791	376	\$ 8	\$ 1,031	\$ (54)	\$ 10,240	\$ (8,494)	\$ 2,731
Net income						674		674
Other comprehensive loss					(12)			(12)
Share-based compensation				36				36
Shares issued under stock plans		(2)		(44)			46	2
Purchases of treasury stock		11					(789)	(789)
Cumulative-effect adjustment of ASU 2014-09 adoption						208		208
Cumulative-effect adjustment of ASU 2017-12 adoption					3	(3)		—
Cumulative-effect adjustment of ASU 2018-02 adoption					(3)	3		—
Balance at June 30, 2018	791	385	\$ 8	\$ 1,023	\$ (66)	\$ 11,122	\$ (9,237)	\$ 2,850

16. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component, net of income taxes, consisted of the following:

(In millions)	Cash Flow Hedges	Foreign Currency Translation	Other	Total
Balance at December 31, 2018	\$ (16)	\$ (49)	\$ (2)	\$ (67)
Other comprehensive loss before reclassifications	(130)	2	—	(128)
Amounts reclassified from accumulated other comprehensive loss	2	—	—	2
Net current-period other comprehensive loss	(128)	2	—	(126)
Balance at June 30, 2019	\$ (144)	\$ (47)	\$ (2)	\$ (193)

(In millions)	Cash Flow Hedges	Foreign Currency Translation	Other	Total
Balance at December 31, 2017	\$ (14)	\$ (38)	\$ (2)	\$ (54)
Other comprehensive loss before reclassifications	(5)	(6)	—	(11)
Amounts reclassified from accumulated other comprehensive loss	(1)	—	—	(1)
Net current-period other comprehensive loss	(6)	(6)	—	(12)
Cumulative-effect adjustment of ASU 2017-12 adoption from retained earnings	3	—	—	3
Cumulative-effect adjustment of ASU 2018-02 adoption to retained earnings	(3)	—	—	(3)
Balance at June 30, 2018	\$ (20)	\$ (44)	\$ (2)	\$ (66)

Derivatives are recorded in the consolidated balance sheets as either an asset or liability measured at fair value. For a derivative designated as a cash flow hedge, changes in the fair value of the derivative are recorded as a component of accumulated other comprehensive loss and recognized in the consolidated statements of income when the hedged item affects earnings, reported within the same line as the hedged item. The Company's policy is to enter into derivatives with creditworthy institutions and not to enter into such derivatives for speculative purposes.

The Company has entered into foreign exchange forward contracts, which have been designated as cash flow hedges, to hedge foreign currency exposure to the Indian Rupee. As of June 30, 2019, the notional amount of these derivatives was \$220 million, and the fair value totaling \$6 million is reported in prepaid expenses and other current assets in the consolidated balance sheet. As of December 31, 2018, the notional amount of these derivatives was \$202 million, and the fair value was nominal. Based on the amounts recorded in accumulated other comprehensive loss at June 30, 2019, the Company estimates that it will recognize gains of approximately \$5 million in cost of processing and services during the next twelve months as foreign exchange forward contracts settle.

In March 2019, the Company entered into treasury lock agreements (“Treasury Locks”), designated as cash flow hedges, in the aggregate notional amount of \$5 billion to manage exposure to fluctuations in benchmark interest rates in anticipation of the issuance of fixed rate debt in connection with the refinancing of certain indebtedness of First Data and its subsidiaries. On June 24, 2019, concurrent with the issuance of senior notes (see Note 13), the Treasury Locks were settled resulting in a payment, included in cash flows from operating activities, of \$183 million recorded in accumulated other comprehensive loss, net of income taxes, and will be amortized to earnings over the terms of the originally forecasted interest payments. Based on the amounts recorded in accumulated other comprehensive loss at June 30, 2019, the Company estimates that it will recognize approximately \$21 million in interest expense during the next twelve months related to settled interest rate hedge contracts.

17. Cash Flow Information

Supplemental cash flow information consisted of the following:

(In millions)	Six Months Ended June 30,	
	2019	2018
Interest paid	\$ 111	\$ 84
Income taxes paid	80	121
Treasury stock purchases settled after the balance sheet date	—	12

18. Business Segment Information

The Company’s operations are comprised of the Payments segment and the Financial segment. The Payments segment primarily provides electronic bill payment and presentment services, internet and mobile banking software and services, account-to-account transfers, person-to-person payment services, debit and credit card processing and services, payments infrastructure services, and other electronic payments software and services. The businesses in this segment also provide card and print personalization services, investment account processing services for separately managed accounts, and fraud and risk management products and services. The Financial segment provides financial institutions with account processing services, item processing and source capture services, loan origination and servicing products, cash management and consulting services, and other products and services that support numerous types of financial transactions. Corporate and Other primarily consists of intercompany eliminations, amortization of acquisition-related intangible assets, unallocated corporate expenses and other activities that are not considered when management evaluates segment performance, such as gains on sales of businesses and associated transition services.

<i>(In millions)</i>	Payments	Financial	Corporate and Other	Total
Three Months Ended June 30, 2019				
Processing and services revenue	\$ 744	\$ 570	\$ 14	\$ 1,328
Product revenue	173	34	(23)	184
Total revenue	<u>\$ 917</u>	<u>\$ 604</u>	<u>\$ (9)</u>	<u>\$ 1,512</u>
Operating income	<u>\$ 303</u>	<u>\$ 203</u>	<u>\$ (122)</u>	<u>\$ 384</u>
Three Months Ended June 30, 2018				
Processing and services revenue	\$ 665	\$ 529	\$ 13	\$ 1,207
Product revenue	172	61	(20)	213
Total revenue	<u>\$ 837</u>	<u>\$ 590</u>	<u>\$ (7)</u>	<u>\$ 1,420</u>
Operating income	<u>\$ 269</u>	<u>\$ 201</u>	<u>\$ (112)</u>	<u>\$ 358</u>
Six Months Ended June 30, 2019				
Processing and services revenue	\$ 1,470	\$ 1,124	\$ 27	\$ 2,621
Product revenue	361	78	(46)	393
Total revenue	<u>\$ 1,831</u>	<u>\$ 1,202</u>	<u>\$ (19)</u>	<u>\$ 3,014</u>
Operating income	<u>\$ 590</u>	<u>\$ 402</u>	<u>\$ (235)</u>	<u>\$ 757</u>
Six Months Ended June 30, 2018				
Processing and services revenue	\$ 1,318	\$ 1,111	\$ 16	\$ 2,445
Product revenue	361	95	(41)	415
Total revenue	<u>\$ 1,679</u>	<u>\$ 1,206</u>	<u>\$ (25)</u>	<u>\$ 2,860</u>
Operating income	<u>\$ 540</u>	<u>\$ 403</u>	<u>\$ 23</u>	<u>\$ 966</u>

Goodwill in the Payments segment was \$4.0 billion as of both June 30, 2019 and December 31, 2018. Goodwill in the Financial segment was \$1.7 billion as of both June 30, 2019 and December 31, 2018.

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

Forward-Looking Statements

This quarterly report contains "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those that express a plan, belief, expectation, estimation, anticipation, intent, contingency, future development or similar expression, and can generally be identified as forward-looking because they include words such as "believes," "anticipates," "expects," "could," "should" or words of similar meaning. Statements that describe our future plans, objectives or goals are also forward-looking statements. The forward-looking statements in this report involve significant risks and uncertainties, and a number of factors, both foreseen and unforeseen, could cause actual results to differ materially from our current expectations. The factors that may affect our results include, among others: the possibility that Fiserv and First Data Corporation may be unable to achieve expected synergies and operating efficiencies from the proposed merger within the expected time frames or at all or to successfully integrate the operations of First Data Corporation into those of Fiserv; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected, including for possible reasons such as unexpected costs, charges or expenses resulting from the transaction; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; the retention of certain key employees; the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the outcome of any legal proceedings that may be instituted against Fiserv, First Data Corporation and others related to the merger agreement; unforeseen risks relating to liabilities of Fiserv or First Data Corporation may exist; the conditions to the completion of the transaction may not be satisfied; the amount of the costs, fees, expenses and charges related to the transaction, including the costs, fees, expenses and charges related to any financing arrangements entered into in connection with the transaction; the parties' ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction. Fiserv and First Data Corporation are subject to, among other matters, changes in customer demand for their products and services; pricing and other actions by competitors; general changes in local, regional, national and international economic conditions and the impact they may have on Fiserv and First Data Corporation and their customers and Fiserv's and First Data Corporation's assessment of that impact; rapid technological developments and changes, and the ability of Fiserv's and First Data Corporation's technology to keep pace with a rapidly evolving marketplace; the impact of a security breach or operational failure on Fiserv's and First Data Corporation's business; the effect of proposed and enacted legislative and regulatory actions in the United States and internationally affecting the financial services industry as a whole and/or Fiserv and First Data Corporation and their subsidiaries individually or collectively; regulatory supervision and oversight, and Fiserv's and First Data Corporation's ability to comply with government regulations; the impact of Fiserv's and First Data Corporation's strategic initiatives; Fiserv's and First Data Corporation's ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the ability to contain costs and expenses; the protection and validity of intellectual property rights; the outcome of pending and future litigation and governmental proceedings; acts of war and terrorism; and other factors identified in our Annual Report on Form 10-K for the year ended December 31, 2018 and in other documents that we file with the Securities and Exchange Commission. You should consider these factors carefully in evaluating forward-looking statements and are cautioned not to place undue reliance on such statements, which speak only as of the date of this report. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this report.

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to our unaudited consolidated financial statements and accompanying notes to help provide an understanding of our financial condition, the changes in our financial condition and our results of operations. Our discussion is organized as follows:

- *Overview.* This section contains background information on our company and the services and products that we provide, acquisitions and dispositions, our enterprise priorities, and the trends affecting our industry in order to provide context for management's discussion and analysis of our financial condition and results of operations.
- *Changes in critical accounting policies and estimates.* This section contains a discussion of changes since our Annual Report on Form 10-K for the year ended December 31, 2018 in the accounting policies that we believe are important to our financial condition and results of operations and that require judgment and estimates on the part of management in their application.
- *Results of operations.* This section contains an analysis of our results of operations presented in the accompanying unaudited consolidated statements of income by comparing the results for the three and six months ended June 30, 2019 to the comparable periods in 2018.

- *Liquidity and capital resources.* This section provides an analysis of our cash flows and a discussion of our outstanding debt as of June 30, 2019.

Overview

Company Background

We are a leading global provider of financial services technology. We provide account processing systems, electronic payments processing products and services, internet and mobile banking systems, and related services. We serve over 12,000 clients worldwide, including banks, credit unions, investment management firms, leasing and finance companies, billers, retailers, and merchants. The majority of our revenue is generated from recurring account- and transaction-based fees under contracts that generally have terms of three to five years and high renewal rates. Most of the services we provide are necessary for our clients to operate their businesses and are, therefore, non-discretionary in nature.

Our operations are principally located in the United States and are comprised of the Payments and Industry Products (“Payments”) segment and the Financial Institution Services (“Financial”) segment. The Payments segment primarily provides electronic bill payment and presentment services, internet and mobile banking software and services, account-to-account transfers, person-to-person payment services, debit and credit card processing and services, payments infrastructure services, and other electronic payments software and services. Our businesses in this segment also provide card and print personalization services, investment account processing services for separately managed accounts, and fraud and risk management products and services. The Financial segment provides financial institutions with account processing services, item processing and source capture services, loan origination and servicing products, cash management and consulting services, and other products and services that support numerous types of financial transactions. Corporate and Other primarily consists of intercompany eliminations, amortization of acquisition-related intangible assets, unallocated corporate expenses and other activities that are not considered when management evaluates segment performance, such as gains on sales of businesses and associated transition services.

Acquisitions and Dispositions

We frequently review our portfolio to ensure we have the right set of businesses to execute on our strategy. We expect to acquire businesses when we identify: a compelling strategic need, such as a product, service or technology that helps meet client demand; an opportunity to change industry dynamics; a way to achieve business scale; or similar considerations. We expect to divest businesses that are not in line with our market, product or financial strategies.

On October 31, 2018, we acquired the debit card processing, ATM Managed Services, and Money Pass[®] surcharge-free network of Elan Financial Services, a unit of U.S. Bancorp, for approximately \$659 million, including post-closing working capital adjustments, estimated contingent consideration related to earn-out provisions and future payments under a transition services agreement in excess of estimated fair value. This acquisition, included within the Payments segment, deepens our presence in debit card processing, broadens our client reach and scale, and provides new solutions to enhance the value proposition for our existing debit solution clients.

On January 16, 2019, we announced that we had entered into a definitive merger agreement to acquire First Data Corporation (“First Data”) in an all-stock transaction for an equity value of approximately \$22 billion as of the announcement. Fiserv and First Data have received the final required regulatory approvals and non-objections needed to complete the proposed acquisition. Subject to the satisfaction or waiver of the remaining customary contractual conditions set forth in the merger agreement, the parties expect to close the transaction on or about July 29, 2019. First Data is a global leader in commerce-enabling technology and solutions for merchants, financial institutions, and card issuers.

In March 2018, we sold a 55% interest of our Lending Solutions business, which was reported within the Financial segment, retaining 45% ownership interests in two joint ventures (the “Lending Joint Ventures”). In conjunction with this transaction, we entered into transition services agreements to provide, at fair value, various administration, business process outsourcing, technical and data center related services for defined periods to the Lending Joint Ventures. We received gross sale proceeds of \$419 million from the transactions.

Enterprise Priorities

We continue to implement a series of strategic initiatives to move money and information in a way that moves the world. These strategic initiatives include active portfolio management of our businesses, enhancing the overall value of our existing client relationships, improving operational effectiveness, being disciplined in our allocation of capital, and differentiating our products and services through innovation. Our key enterprise priorities for 2019 are to: (i) continue to build high-quality revenue while meeting our earnings goals; (ii) enhance client relationships with an emphasis on digital and payment solutions;

and (iii) deliver innovation and integration which enables differentiated value for our clients. We also expect to devote significant resources to completing the First Data merger and, subject to closing, to integrating First Data into our operations.

Industry Trends

The market for products and services offered by financial institutions continues to evolve rapidly. The traditional financial industry and other market entrants regularly introduce and implement new payment, deposit, risk management, lending, and investment products, and the distinctions among the products and services traditionally offered by different types of financial institutions continue to narrow as they seek to serve the same customers. At the same time, the evolving regulatory and cybersecurity landscape has continued to create a challenging operating environment for financial institutions. For example, legislation such as the Dodd-Frank Wall Street Reform and Consumer Protection Act has generated, and may continue to generate, new regulations impacting the financial industry. These conditions are driving heightened interest in solutions that help financial institutions win and retain customers, generate incremental revenue, comply with regulations and enhance operating efficiency. Examples of these solutions include electronic payments and delivery methods such as internet, mobile and tablet banking, sometimes referred to as “digital channels.”

The focus on digital channels by both financial institutions and their customers, as well as the growing volume and types of payment transactions in the marketplace, continues to elevate the data and transaction processing needs of financial institutions. We expect that financial institutions will continue to invest significant capital and human resources to process transactions, manage information, maintain regulatory compliance and offer innovative new services to their customers in this rapidly evolving and competitive environment. We anticipate that we will benefit over the long term from the trend of financial institutions moving from in-house technology to outsourced solutions as they seek to remain current on technology changes in an evolving marketplace. We believe that economies of scale in developing and maintaining the infrastructure, technology, products, services and networks necessary to be competitive in such an environment are essential to justify these investments, and we anticipate that demand for products that facilitate customer interaction with financial institutions, including electronic transactions through digital channels, will continue to increase, which we expect to create revenue opportunities for us.

In addition to the trends described above, the financial institutions marketplace has experienced change in composition as well. During the past 25 years, the number of financial institutions in the United States has declined at a relatively steady rate of approximately 3% per year, primarily as a result of voluntary mergers and acquisitions. Rather than reducing the overall market, these consolidations have transferred accounts among financial institutions. If a client loss occurs due to merger or acquisition, we receive a contract termination fee based on the size of the client and how early in the contract term the contract is terminated. These fees can vary from period to period. Our revenue is diversified, and we have clients that span the entire range of financial institutions in terms of asset size and business model, with our 50 largest financial institution clients representing less than 25% of our annual revenue. Our focus on long-term client relationships and recurring, transaction-oriented products and services has also reduced the impact that consolidation in the financial services industry has had on us. We believe that the integration of our products and services creates a compelling value proposition for our clients by providing, among other things, new sources of revenue and opportunities to reduce their costs. Furthermore, we believe that our sizable and diverse client base, combined with our position as a leading provider of non-discretionary, recurring revenue-based products and services, gives us a solid foundation for growth.

Changes in Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenue and expenses. In our Annual Report on Form 10-K for the year ended December 31, 2018, we identified our critical accounting policies and estimates. We continually evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements, including for recently adopted accounting pronouncements, and base our estimates on historical experience and assumptions that we believe are reasonable in light of current circumstances. Actual amounts and results could differ materially from these estimates. There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

The following table presents certain amounts included in our consolidated statements of income, the relative percentage that those amounts represent to revenue and the change in those amounts from year to year. This information should be read together with the unaudited consolidated financial statements and accompanying notes.

(In millions)	Three Months Ended June 30,					
	2019	2018	Percentage of Revenue ⁽¹⁾		Increase (Decrease)	
			2019	2018	\$	%
Revenue:						
Processing and services	\$ 1,328	\$ 1,207	87.8 %	85.0 %	\$ 121	10 %
Product	184	213	12.2 %	15.0 %	(29)	(14)%
Total revenue	1,512	1,420	100.0 %	100.0 %	92	6 %
Expenses:						
Cost of processing and services	617	560	46.5 %	46.4 %	57	10 %
Cost of product	168	179	91.3 %	84.0 %	(11)	(6)%
Sub-total	785	739	51.9 %	52.0 %	46	6 %
Selling, general and administrative	343	320	22.7 %	22.5 %	23	7 %
Loss on sale of business	—	3	—	0.2 %	(3)	n/m
Total expenses	1,128	1,062	74.6 %	74.8 %	66	6 %
Operating income	384	358	25.4 %	25.2 %	26	7 %
Interest expense	(64)	(45)	(4.2)%	(3.2)%	19	42 %
Debt financing activities	(37)	—	(2.4)%	—	37	n/m
Non-operating income	8	3	0.5 %	0.2 %	5	167 %
Income before income taxes and (loss) income from investments in unconsolidated affiliates	\$ 291	\$ 316	19.2 %	22.3 %	\$ (25)	(8)%
Six Months Ended June 30,						
(In millions)	Percentage of Revenue ⁽¹⁾					
	2019	2018	Percentage of Revenue ⁽¹⁾		Increase (Decrease)	
			2019	2018	\$	%
Revenue:						
Processing and services	\$ 2,621	\$ 2,445	87.0 %	85.5 %	\$ 176	7 %
Product	393	415	13.0 %	14.5 %	(22)	(5)%
Total revenue	3,014	2,860	100.0 %	100.0 %	154	5 %
Expenses:						
Cost of processing and services	1,241	1,128	47.3 %	46.1 %	113	10 %
Cost of product	342	370	87.0 %	89.2 %	(28)	(8)%
Sub-total	1,583	1,498	52.5 %	52.4 %	85	6 %
Selling, general and administrative	684	625	22.7 %	21.9 %	59	9 %
Gain on sale of business	(10)	(229)	(0.3)%	(8.0)%	(219)	(96)%
Total expenses	2,257	1,894	74.9 %	66.2 %	363	19 %
Operating income	757	966	25.1 %	33.8 %	(209)	(22)%
Interest expense	(123)	(90)	(4.1)%	(3.1)%	33	37 %
Debt financing activities	(96)	—	(3.2)%	—	96	n/m
Non-operating income	11	3	0.4 %	0.1 %	8	n/m
Income before income taxes and (loss) income from investments in unconsolidated affiliates	\$ 549	\$ 879	18.2 %	30.7 %	\$ (330)	(38)%

⁽¹⁾ Percentage of revenue is calculated as the relevant revenue, expense, income or loss amount divided by total revenue, except for cost of processing and services and cost of product amounts which are divided by the related component of revenue.

Three Months Ended June 30,

(In millions)	Three Months Ended June 30,			
	Payments	Financial	Corporate and Other	Total
Total revenue:				
2019	\$ 917	\$ 604	\$ (9)	\$ 1,512
2018	837	590	(7)	1,420
Revenue growth	\$ 80	\$ 14	\$ (2)	\$ 92
Revenue growth percentage	10%	2%		6%
Operating income:				
2019	\$ 303	\$ 203	\$ (122)	\$ 384
2018	269	201	(112)	358
Operating income growth	\$ 34	\$ 2	\$ (10)	\$ 26
Operating income growth percentage	13%	1%		7%
Operating margin:				
2019	33.0%	33.7%		25.4%
2018	32.1%	34.0%		25.2%
Operating margin growth ⁽¹⁾	90 bps	(30) bps		20 bps

Six Months Ended June 30,

(In millions)	Six Months Ended June 30,			
	Payments	Financial	Corporate and Other	Total
Total revenue:				
2019	\$ 1,831	\$ 1,202	\$ (19)	\$ 3,014
2018	1,679	1,206	(25)	2,860
Revenue growth	\$ 152	\$ (4)	\$ 6	\$ 154
Revenue growth percentage	9%	—		5 %
Operating income:				
2019	\$ 590	\$ 402	\$ (235)	\$ 757
2018	540	403	23	966
Operating income growth	\$ 50	\$ (1)	\$ (258)	\$ (209)
Operating income growth percentage	9%	—		(22)%
Operating margin:				
2019	32.2%	33.5 %		25.1 %
2018	32.2%	33.4 %		33.8 %
Operating margin growth ⁽¹⁾	— bps	10 bps		(870) bps

⁽¹⁾ Represents the basis point growth or decline in operating margin.

Operating margin percentages are calculated using actual, unrounded amounts.

Total Revenue

Total revenue increased \$92 million, or 6%, in the second quarter of 2019 and increased \$154 million, or 5%, in the first six months of 2019 compared to 2018.

Revenue in our Payments segment increased \$80 million, or 10%, during the second quarter of 2019 and \$152 million, or 9%, during the first six months of 2019 compared to 2018. Revenue from the acquired Elan business contributed approximately 5.5% to Payments segment revenue growth in both the second quarter and first six months of 2019. The remaining revenue growth in our Payments segment was driven by growth in our recurring revenue businesses, with our card services and electronic payments businesses contributing approximately 2% and 1%, respectively, in both the second quarter and first six months of 2019.

Revenue in our Financial segment increased \$14 million, or 2%, during the second quarter of 2019 and decreased \$4 million in the first six months of 2019 compared to 2018. Financial segment revenue growth in 2019 was driven by growth in our bank processing business. This growth was offset in the first six months of 2019 from the disposition of a 55% interest of our Lending Solutions business in late March 2018, which reduced Financial segment revenue by approximately 4.5%.

Revenue at Corporate and Other decreased \$2 million during the second quarter and increased \$6 million in the first six months of 2019 compared to 2018 due to transition services revenue activity from the Lending Joint Ventures, which commenced in late March 2018.

Total Expenses

Total expenses increased \$66 million, or 6%, and increased \$363 million, or 19%, in the second quarter and first six months of 2019, respectively, compared to 2018. Total expenses as a percentage of total revenue decreased to 74.6% in the second quarter of 2019 and increased to 74.9% in the first six months of 2019 compared to the prior year periods. Total expenses and total expenses as a percentage of total revenue were reduced by gains of \$10 million and \$229 million in the first six months of 2019 and 2018, respectively, from the sale of a 55% interest in our Lending Solutions business.

Cost of processing and services as a percentage of processing and services revenue increased slightly to 46.5% in the second quarter of 2019 compared to 46.4% in the second quarter of 2018 and increased to 47.3% in the first six months of 2019 compared to 46.1% in the first six months of 2018. Cost of processing and services as a percentage of processing and services revenue increased from our Elan acquisition, as well as from expenses shifting from cost of product to cost of processing and services as financial institutions continue to move from in-house technology to outsourced solutions, each contributing approximately 70 basis points in both the second quarter and the first six months of 2019. The increase in cost of processing and services as a percentage of revenue in the second quarter of 2019 was offset by improved operating performance in our recurring revenue businesses.

Cost of product as a percentage of product revenue increased to 91.3% in the second quarter of 2019 compared to 84.0% in the second quarter of 2018 and decreased to 87.0% in the first six months of 2019 compared to 89.2% in the first six months of 2018. Cost of product as a percentage of product revenue was impacted by product mix, including an increase of approximately 1,400 basis points and 450 basis points from a decrease in higher-margin software license revenue in the second quarter and the first six months of 2019, respectively. Cost of product as a percentage of product revenue in both the second quarter and first six months of 2019 was favorably impacted by approximately 400 basis points as a result of expenses shifting from cost of product to cost of processing and services as financial institutions continue to move from in-house technology to outsourced solutions.

Selling, general and administrative expenses as a percentage of total revenue increased slightly to 22.7% in the second quarter of 2019 compared to 22.5% in the second quarter of 2018 and increased to 22.7% in the first six months of 2019 compared to 21.9% in the first six months of 2018. The increase in selling, general and administrative expenses as a percentage of total revenue in 2019 was due to increased costs associated with the announced merger agreement to acquire First Data.

The gains on sale of business of \$10 million and \$229 million in the first six months of 2019 and 2018, respectively, resulted from the sale of a 55% interest of our Lending Solutions business, including contingent consideration received in 2019.

Operating Income and Operating Margin

Total operating income increased \$26 million, or 7%, in the second quarter and decreased \$209 million, or 22%, in the first six months of 2019 compared to the prior year periods. Total operating margin increased to 25.4% in the second quarter of 2019 and decreased to 25.1% in the first six months of 2019 compared to the prior year periods.

Operating income in our Payments segment increased \$34 million, or 13%, and \$50 million, or 9%, in the second quarter and first six months of 2019, respectively, compared to 2018. Operating margin increased 90 basis points to 33.0% in the second quarter of 2019 and remained consistent at 32.2% in the first six months of 2019 compared to 2018. Payments segment operating margin growth in 2019 was driven by scalable revenue growth in our card services business, which was reduced by approximately 40 basis points and 20 basis points in the second quarter and first six months of 2019, respectively, from our Elan acquisition.

Operating income in our Financial segment increased \$2 million, or 1%, and decreased \$1 million, or flat, in the second quarter and first six months of 2019, respectively, compared to 2018. Financial segment operating margin decreased 30 basis points to 33.7% in the second quarter of 2019 compared to 2018 due to a reduction in higher-margin software license revenue growth. Financial segment operating margin was comparable at 33.5% and 33.4% in the first six months of 2019 and 2018, respectively.

The operating loss in Corporate and Other increased \$10 million and \$258 million in the second quarter and first six months of 2019, respectively, compared to 2018. Corporate and Other was favorably impacted by gains of \$10 million and \$229 million in the first six months of 2019 and 2018, respectively, from the sale of a 55% interest of our Lending Solutions business. In addition, Corporate and Other includes acquisition costs of \$10 million and \$33 million in the second quarter and first six months of 2019, respectively, related to the announced merger agreement to acquire First Data.

Interest Expense

Interest expense increased \$19 million, or 42%, and \$33 million, or 37%, in the second quarter and first six months of 2019, respectively, compared to the prior year periods due to the September 2018 and June 2019 issuances of \$2.0 billion and \$9.0 billion of fixed-rate senior notes, respectively.

Debt Financing Activities

In connection with the definitive merger agreement on January 16, 2019 to acquire First Data, we entered into a bridge facility commitment letter providing a 364-day senior unsecured bridge term loan facility in an aggregate principal amount of \$17.0 billion for the purpose of refinancing certain indebtedness of First Data on the closing date of the acquisition. We recorded \$37 million and \$96 million of expense during the three and six months ended June 30, 2019 associated with such bridge term loan facility and other refinancing and related activities in connection with the acquisition of First Data. See below under “First Data Acquisition Financing” for a description of our financing related to the First Data acquisition.

Non-Operating Income

Non-operating income in the second quarter and first six months of 2019 includes \$6 million and \$8 million, respectively, of interest income and \$2 million and \$3 million, respectively, related to the fulfillment of our stand-ready obligations to perform over the term of the Lending Joint Ventures debt guarantees and the associated release from risk.

Income Tax Provision

Income tax provision as a percentage of income before (loss) income from investments in unconsolidated affiliates was 20.9% and 23.0% in the second quarter of 2019 and 2018, respectively, and was 16.6% and 24.2% in the first six months of 2019 and 2018, respectively. The rate in the first six months of 2019 includes discrete benefits due to a loss from subsidiary restructuring. The rate in the first six months of 2018 includes \$77 million of income tax expense associated with the \$229 million gain on the sale of a 55% interest of our Lending Solutions business.

(Loss) income from Investments in Unconsolidated Affiliates

Our share of net (loss) income from the Lending Joint Ventures is reported as (loss) income from investments in unconsolidated affiliates and the related tax benefit is reported within the income tax provision in the consolidated statements of income. (Loss) income from investments in unconsolidated affiliates, including acquired intangible asset amortization upon finalization of valuations and completion of purchase accounting, was \$(8) million and \$7 million in the second quarter of 2019 and 2018, respectively, and was \$(10) million and \$7 million in the first six months of 2019 and 2018, respectively.

Net Income Per Share – Diluted

Net income per share-diluted was \$0.56 and \$0.60 in the second quarter of 2019 and 2018, respectively, and was \$1.12 and \$1.61 in the first six months of 2019 and 2018, respectively. Net income per share-diluted in the second quarter and first six months of 2019 included expenses of \$0.10 and \$0.26 per share, respectively, primarily related to financing activities associated with the previously announced merger agreement to acquire First Data. Net income per share-diluted was favorably impacted in the first six months of 2018 by a gain of \$0.36 per share on the sale of a 55% interest of our Lending Solutions business. Amortization of acquisition-related intangible assets reduced net income per share-diluted by \$0.09 and \$0.08 per share in the second quarter of 2019 and 2018, respectively, and by \$0.17 and \$0.15 per share in the first six months of 2019 and 2018, respectively.

Liquidity and Capital Resources

General

Our primary liquidity needs in the ordinary course of business are to: (i) fund normal operating expenses; (ii) meet the interest and principal requirements of our outstanding indebtedness; and (iii) fund capital expenditures and operating lease payments. We believe these needs will be satisfied using cash flow generated by our operations, along with our cash and cash equivalents of \$8.4 billion (see below under “First Data Acquisition Financing” for a description of our financing activities related to the First Data acquisition) and available borrowings under our revolving credit facility of \$2.0 billion at June 30, 2019. The following table summarizes our operating cash flow and capital expenditure amounts for the six months ended June 30, 2019 and 2018, respectively.

(In millions)	Six Months Ended June 30,		Increase (Decrease)	
	2019	2018	\$	%
Net income	\$ 448	\$ 674	\$ (226)	
Depreciation and amortization	396	270	126	
Share-based compensation	34	36	(2)	
Deferred income taxes	12	80	(68)	
Gain on sale of business	(10)	(229)	219	
Loss (income) from investments in unconsolidated affiliates	10	(7)	17	
Settlement of interest rate hedge contracts	(183)	—	(183)	
Net changes in working capital and other	(128)	(211)	83	
Operating cash flow	\$ 579	\$ 613	\$ (34)	(6)%
Capital expenditures	\$ 210	\$ 169	\$ 41	24%

Our net cash provided by operating activities, or operating cash flow, was \$579 million in the first six months of 2019, a decrease of 6% compared with \$613 million in the first six months of 2018. This decrease was primarily attributable to the settlement of treasury lock agreements (“Treasury Locks”) associated with First Data financing activities (see discussion below), resulting in a payment of \$183 million, partially offset by improved operating results and favorable timing of receivable collections.

Our current policy is to use our operating cash flow primarily to fund capital expenditures, share repurchases (after the closing of the First Data acquisition), acquisitions, and to repay debt rather than to pay dividends. Our capital expenditures were approximately 7% and 6% of our total revenue in the first six months of 2019 and 2018, respectively.

Share Repurchases

We purchased \$120 million and \$789 million of our common stock during the first six months of 2019 and 2018, respectively. We deferred share repurchases as of January 16, 2019 until the close of the First Data acquisition. As of June 30, 2019, we had approximately 24.3 million shares remaining under our current repurchase authorizations. Shares repurchased are generally held for issuance in connection with our equity plans.

Acquisitions and Dispositions

On October 31, 2018, we acquired the debit card processing, ATM Managed Services, and Money Pass[®] surcharge-free network of Elan Financial Services, a unit of U.S. Bancorp, for approximately \$659 million including post-closing working capital adjustments, estimated contingent consideration related to earn-out provisions and future payments under a transition services agreement in excess of fair value. We funded this acquisition by utilizing existing availability under our revolving credit facility.

On January 16, 2019, we announced that we had entered into a definitive merger agreement to acquire First Data in an all-stock transaction for an equity value of approximately \$22 billion as of the announcement. Fiserv and First Data have received the final required regulatory approvals and non-objections needed to complete the proposed acquisition. Subject to the satisfaction or waiver of the remaining customary contractual conditions set forth in the merger agreement, the parties expect to close the transaction on or about July 29, 2019. First Data is a global leader in commerce-enabling technology and solutions for merchants, financial institutions, and card issuers.

In March 2018, we sold a 55% interest of our Lending Solutions business, retaining 45% ownership interests in two joint ventures. We received gross sale proceeds of \$419 million from the transactions. In addition, in January 2018, we completed the sale of the retail voucher business acquired in our 2017 acquisition of Monitise plc for proceeds of £37 million (\$50 million).

Indebtedness

(In millions)	June 30, 2019	December 31, 2018
Revolving credit facility	\$ —	\$ 1,129
2.7% senior notes due 2020	850	850
4.75% senior notes due 2021	400	400
3.5% senior notes due 2022	700	700
3.8% senior notes due 2023	1,000	1,000
2.75% senior notes due 2024	2,000	—
3.85% senior notes due 2025	900	900
3.2% senior notes due 2026	2,000	—
4.2% senior notes due 2028	1,000	1,000
3.5% senior notes due 2029	3,000	—
4.4% senior notes due 2049	2,000	—
Unamortized discount and unamortized deferred financing costs	(113)	(29)
Other borrowings	19	9
Total debt (including current maturities)	<u>\$ 13,756</u>	<u>\$ 5,959</u>

At June 30, 2019, our debt consisted primarily of \$13.7 billion of fixed-rate senior notes. Interest on our senior notes is paid semi-annually. During the first six months of 2019, we were in compliance with all financial debt covenants.

Variable Rate Debt

We maintain a \$2.0 billion revolving credit agreement with a syndicate of banks. Outstanding borrowings under the revolving credit facility bear interest at a variable rate based on LIBOR or on a base rate, plus a specified margin based on our long-term debt rating in effect from time to time. There were no outstanding borrowings on the revolving credit facility at June 30, 2019 (see discussion below). There are no significant commitment fees and no compensating balance requirements on the revolving credit facility, which matures in September 2023.

On February 6, 2019, we entered into an amendment to the amended and restated revolving credit facility to (i) amend the maximum leverage ratio covenant to permit us to elect to increase the permitted maximum leverage ratio from three and one-half times our consolidated net earnings before interest, taxes, depreciation, amortization, non-cash charges and expenses and certain other adjustments (“EBITDA”) to either four times or four and one-half times our EBITDA for a specified period following certain acquisitions and (ii) permit us to make drawings under the revolving credit facility on the closing date of our acquisition of First Data subject to only limited conditions. On February 15, 2019, we entered into a second amendment to our existing revolving credit agreement in order to increase the aggregate commitments available thereunder by \$1.5 billion and to make certain additional amendments to facilitate the operation of the combined business following the acquisition of First Data. The increased commitments and additional amendments will become effective upon the satisfaction or waiver of conditions that are substantially similar to the conditions to funding under the term loan facility described below.

First Data Acquisition Financing

On January 16, 2019, in connection with the definitive merger agreement to acquire First Data, we entered into a bridge facility commitment letter pursuant to which a group of financial institutions committed to provide a 364-day senior unsecured bridge term loan facility in an aggregate principal amount of \$17.0 billion for the purpose of refinancing certain indebtedness of First Data and its subsidiaries on the closing date of the merger, making cash payments in lieu of fractional shares as part of the merger consideration, and paying fees and expenses related to the merger, the refinancing and the related transactions. There are no outstanding borrowings under the bridge term loan facility at June 30, 2019. The aggregate commitments of \$17.0 billion under the bridge facility commitment letter have been replaced with a corresponding amount of permanent financing through the term loan credit agreement and issuance of senior notes, as described below, resulting in the termination of the bridge term loan facility effective July 1, 2019.

On February 15, 2019, we entered into a new term loan credit agreement with a syndicate of financial institutions pursuant to which such financial institutions have committed to provide us with a senior unsecured term loan facility in an aggregate principal amount of \$5.0 billion, consisting of \$1.5 billion in commitments to provide loans with a three-year maturity and \$3.5 billion in commitments to provide loans with a five-year maturity. The availability of loans under the term loan facility is subject to the satisfaction or waiver of certain conditions, including (i) the closing of the acquisition substantially concurrently with the funding of such loans, (ii) the absence of a material adverse effect with respect to First Data since January 16, 2019, (iii) the truth and accuracy in all material respects of certain representations and warranties, (iv) the receipt of certain certificates, and (v) the receipt of certain financial statements. Loans drawn under the term loan facility will be subject to amortization at an annual rate of 5% for the first two years and 7.5% thereafter (with loans outstanding under the five-year tranche subject to amortization at an annual rate of 10% after the fourth anniversary of the commencement of amortization), with accrued and unpaid amortization amounts required to be paid on the last business day in December of each year. Borrowings under the term loan facility will bear interest at variable rates based on LIBOR or on a base rate plus, in each case, a specified margin based on our long-term debt rating in effect from time to time. We are also required to pay a ticking fee that accrues on the aggregate undrawn commitments under the term loan facility at a per annum rate based upon our long-term debt rating in effect from time to time. The term loan credit agreement contains affirmative, negative and financial covenants, and events of default, that are substantially the same as those set forth in our existing revolving credit facility, as amended as described above.

On June 24, 2019, we completed an offering of \$9.0 billion aggregate principal amount of senior notes comprised of \$2.0 billion aggregate principal amount of 2.75% senior notes due in July 2024, \$2.0 billion aggregate principal amount of 3.2% senior notes due in July 2026, \$3.0 billion aggregate principal amount of 3.5% senior notes due in July 2029 and \$2.0 billion aggregate principal amount of 4.4% senior notes due in July 2049. The senior notes pay interest semi-annually on January 1 and July 1, commencing on January 1, 2020. The indentures governing the senior notes contain covenants that, among other matters, limit (i) our ability to consolidate or merge with or into, or convey, transfer or lease all or substantially all of its properties and assets to another person, (ii) ours and certain of our subsidiaries' ability to create or assume liens, and (iii) ours and certain of our subsidiaries' ability to engage in sale and leaseback transactions. We may, at our option, redeem the senior notes, in whole or in part, at any time prior to the applicable par call date. If the proposed merger between us and First Data is terminated, has not been consummated, or we use reasonable judgment to determine that the merger will not be consummated, on or prior to April 16, 2020, we are required to redeem all outstanding senior notes at a price equal to 101% of the aggregate principal amount plus any accrued and unpaid interest. We intend to use the net proceeds of the senior notes to refinance indebtedness in connection with the closing of the merger with First Data and used a portion of the net proceeds from the offering described above to repay all outstanding borrowings totaling \$790 million under our amended and restated revolving credit facility pending such use. Remaining proceeds were invested in a highly liquid institutional bank deposit held at a single financial institution and were recorded as cash equivalents on the consolidated balance sheet as of June 30, 2019.

In March 2019, we entered into Treasury Locks, designated as cash flow hedges, in the aggregate notional amount of \$5 billion to manage exposure to fluctuations in benchmark interest rates in anticipation of the issuance of fixed rate debt in connection with the refinancing of certain indebtedness of First Data and its subsidiaries. On June 24, 2019, concurrent with the issuance of the senior notes described above, the Treasury Locks were settled resulting in a payment of \$183 million that will be amortized to earnings over the terms of the originally forecasted interest payments.

In June 2019, we entered into an underwriting agreement with a syndicate of financial institutions for the issuance and sale of €1.5 billion aggregate principal amount and £1.05 billion aggregate principal amount of senior notes comprised of €500 million aggregate principal amount of 0.375% senior notes due in July 2023, €500 million aggregate principal amount of 1.125% senior notes due in July 2027, €500 million aggregate principal amount of 1.625% senior notes due in July 2030, £525 million aggregate principal amount of 2.25% senior notes due in July 2025, and £525 million aggregate principal amount of 3.0% senior notes due in July 2031. We completed our offering of these senior notes on July 1, 2019. The senior notes pay interest annually on July 1, commencing on July 1, 2020. The indentures governing the senior notes contain covenants that are substantially the same as those set forth in our \$9.0 billion aggregate principal amount senior notes described above.

In connection with the forecasted issuance of these senior notes, we entered into foreign exchange forward contracts to minimize foreign currency exposure to the Euro and British Pound upon settlement of the proceeds from these senior notes. At June 30, 2019, the notional amount of these derivatives was £1.05 billion (\$1.34 billion) and €563 million (\$641 million), with a fair value totaling \$2.0 million recorded in prepaid expenses and other current assets in the consolidated balance sheet.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Other than the Treasury Locks and debt financing activities associated with the First Data acquisition described above, there have been no other material changes to the quantitative and qualitative disclosures about market risk previously disclosed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”), our management, with the participation of our chief executive officer and chief financial officer, evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2019.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we or our subsidiaries are named as defendants in lawsuits in which claims are asserted against us. In the opinion of management, the liabilities, if any, which may ultimately result from such lawsuits are not expected to have a material adverse effect on our consolidated financial statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We made no share repurchases during the second quarter of 2019. We deferred share repurchases as of January 16, 2019 until the closing of the First Data acquisition. As of June 30, 2019, 24,320,000 shares were authorized for purchase under our existing authorization.

ITEM 6. EXHIBITS

The exhibits listed in the accompanying exhibit index are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Index

Exhibit Number	Exhibit Description
4.1	Sixteenth Supplemental Indenture, dated as of June 24, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Fiserv, Inc. filed June 24, 2019).
4.2	Seventeenth Supplemental Indenture, dated as of June 24, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Fiserv, Inc. filed June 24, 2019).
4.3	Eighteenth Supplemental Indenture, dated as of June 24, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Fiserv, Inc. filed June 24, 2019).
4.4	Nineteenth Supplemental Indenture, dated as of June 24, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K of Fiserv, Inc. filed June 24, 2019).
4.5	Twentieth Supplemental Indenture, dated as of July 1, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Fiserv, Inc. filed July 1, 2019).
4.6	Twenty-First Supplemental Indenture, dated as of July 1, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Fiserv, Inc. filed July 1, 2019).
4.7	Twenty-Second Supplemental Indenture, dated as of July 1, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Fiserv, Inc. filed July 1, 2019).
4.8	Twenty-Third Supplemental Indenture, dated as of July 1, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K of Fiserv, Inc. filed July 1, 2019).
4.9	Twenty-Fourth Supplemental Indenture, dated as of July 1, 2019, between Fiserv, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.5 to the Current Report on Form 8-K of Fiserv, Inc. filed July 1, 2019).
4.10	Agency Agreement, dated as of July 1, 2019, by and among Fiserv, Inc., Elavon Financial Services DAC, UK Branch, and U.S. Bank National Association (incorporated by reference to Exhibit 4.6 to the Current Report on Form 8-K of Fiserv, Inc. filed July 1, 2019).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document - The XBRL Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this quarterly report on Form 10-Q are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income for the three and six months ended June 30, 2019 and 2018, (ii) the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2019 and 2018, (iii) the Consolidated Balance Sheets at June 30, 2019 and December 31, 2018, (iv) the Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and 2018, and (v) Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FISERV, INC.

Date: July 26, 2019

By: /s/ Robert W. Hau

Robert W. Hau

Chief Financial Officer and Treasurer

Date: July 26, 2019

By: /s/ Kenneth F. Best

Kenneth F. Best

Chief Accounting Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffery W. Yabuki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fiserv, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2019

By: /s/ Jeffery W. Yabuki

Jeffery W. Yabuki

President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert W. Hau, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fiserv, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2019

By: /s/ Robert W. Hau

Robert W. Hau

Chief Financial Officer and Treasurer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Fiserv, Inc. (the "Company") for the quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeffery W. Yabuki, as President and Chief Executive Officer of the Company, and Robert W. Hau, as Chief Financial Officer and Treasurer of the Company, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Jeffery W. Yabuki
Jeffery W. Yabuki
President and Chief Executive Officer
July 26, 2019

By: /s/ Robert W. Hau
Robert W. Hau
Chief Financial Officer and Treasurer
July 26, 2019