SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

# FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities and Exchange Act of 1934

For the fiscal year ended December 31, 1998
Commission file no. 0-14948

# FISERV, INC.

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| WISCONSIN | 39-1506125 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 255 FISERV DRIVE, BROOKFIELD, WISCONSIN | 53045 |
| (Address of principal executive offices) | (Zip code) |

Registrant's telephone number, including area code: (414) 879-5000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

NONE
(Title of Class)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, $.01 Par Value
(Title of Class)

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 (X) No ( )

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of January 29, 1999: $4,015,748,072

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of January 29, 1999: 82,058,709

DOCUMENTS INCORPORATED BY REFERENCE: List the following documents if incorporated by reference and the part of the Form 10-K into which the document is incorporated: (1) Any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933.
1998 Annual Report to Shareholders - Parts II, IV
Proxy Statement for March 25, 1999, Meeting - Part III

Fiserv, Inc. and Subsidiaries
Form 10-K
December 31, 1998

# PART I

## Item 1. Business

Fiserv, Inc. is a leading, independent provider of financial data processing systems and related information management services and products to the financial industry. The Company was formed on July 31, 1984, through the combination of two major regional data processing firms located in Milwaukee, Wisconsin, and Tampa, Florida. These firms--First Data Processing of Milwaukee and Sunshine State Systems of Tampa--began their operations in 1964 and 1971, respectively, as the data processing operations of their parent financial institutions. Historically, operations were expanded by developing a range of services for these parent organizations as well as other financial institutions. Since its organization in 1984, Fiserv has grown through the continuing development of highly specialized services and product enhancements, the addition of new clients and the acquisition of firms complementing the Fiserv organization.

Headquartered in Brookfield, Wisconsin, Fiserv operates centers nationwide for full-service financial data processing, software system development, item processing and check imaging, technology support and related product businesses. In addition, the Company has business support centers in Australia, Canada, England, Indonesia, Philippines, Poland and Singapore.

### Business Strategy

The market for products and services offered by financial institutions continues to undergo change. New alternative lending and investment products are being introduced and implemented by the financial industry with great frequency; the distinctions among financial services traditionally offered by banking and thrift organizations as well as by securities and insurance firms continue to narrow; and financial institutions diversify and consolidate on an ongoing basis in response to market pressures, as well as under the auspices of regulatory agencies.

Although such market changes have led to consolidations which have reduced the number of financial institutions in the United States, such consolidations have not resulted in a material reduction of the number of customers or financial accounts serviced by the financial industry as a whole. New organizations entering the once limited financial services industry have opened new markets for Fiserv services.

To stay competitive in this changing marketplace, financial institutions are finding they must aggressively meet the growing needs of their customers for a broad variety of new products and services that are typically transaction-oriented and fee-based. The growing volume and types of transactions and accounts have increased the data processing requirements of these institutions.

As a consequence, Fiserv management believes that the financial services industry is one of the largest users of data processing products and services.

Moreover, Fiserv expects that the industry will continue to require significant commitments of capital and human resources to the information systems requirements, to require



application of more specialized systems, and to require development, maintenance and enhancement of applications software. Fiserv believes that economies of scale in data processing operations are essential to justify the required level of expenditures and commitment of human resources.

In response to these market dynamics, the means by which financial institutions obtain data processing services has changed. Many smaller, local and regional third-party data processors are leaving the business or consolidating with larger providers. A number of large financial institutions previously providing third-party processing services for other institutions have withdrawn from the business to concentrate on their primary, core businesses. Similarly, an increasing number of financial institutions that previously developed their own software systems and maintained their own data processing operations have outsourced their data processing requirements by licensing their software from a third party or by contracting with third-party processors to reduce costs and enhance their products and services. Outsourcing can involve simply the licensing of software, thereby eliminating the costly technical expertise within the financial institution, or the utilization of service bureaus, facilities management or resource management capabilities. Fiserv provides all of these options to the financial industry.

To capitalize on these industry trends and to become the premier provider of data processing products and related services, Fiserv has implemented a strategy of continuing to develop new products, improving the cost effectiveness of services provided to clients, aggressively soliciting new clients and making both opportunistic and strategic acquisitions.

Acquisition History
- -------------------

<TABLE>
<CAPTION>

| Formed | Acquired | Company | Service |
|---|---|---|---|
| <C> | <C> | <S> | <C> |
| 1964 | July 1984 | First Data Processing, Milwaukee, WI | Data processing |
| 1971 | July 1984 | Sunshine State Systems, Tampa, FL | Data processing |
| 1966 | Nov. 1984 | San Antonio, Inc., San Antonio, TX | Data processing |
| 1982 | Oct. 1985 | Sendero Corporation, Scottsdale, AZ | Asset/liability management |
| 1962 | Oct. 1985 | First Trust Corporation, Denver, CO | DP for retirement planning |
| 1962 | Oct. 1985 | First Retirement Marketing, Denver, CO | Retirement planning services |
| 1973 | Jan. 1986 | On-Line, Inc., Seattle, WA | Data processing, forms |
| 1966 | May 1986 | First City Financial Systems, Inc., Beaumont, TX | Data processing |
| 1962 | Feb. 1987 | Pamico, Inc., Milwaukee, WI | Specialized forms |
| 1975 | Apr. 1987 | Midwest Commerce Data Corp., Elkhart, IN | Data processing |
| 1969 | Apr. 1987 | Fidelity Financial Services, Inc., Spokane, WA | Data processing |
| 1965 | Oct. 1987 | Capbanc Computer Corp., Baton Rouge, LA (sold 1991) | Data processing |
| 1971 | Feb. 1988 | Minnesota On-Line Inc., Minneapolis, MN | Data processing |
| 1965 | May 1988 | Citizens Financial Corporation, Cleveland, OH | Data processing |
| 1980 | May 1988 | ZFC Electronic Data Services, Inc., Bowling Green, KY | Data processing |
| 1969 | June 1988 | GESCO Corporation, Fresno, CA | Data processing |
| 1967 | Nov. 1988 | Valley Federal Data Services, Los Angeles, CA | Data processing |
| 1984 | Dec. 1988 | Northeast Savings Data Services, Hartford, CT | Data processing |
| 1982 | May 1989 | Triad Software Network, Ltd., Chicago, IL (sold 1996) | Data processing |

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<TABLE>
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| Formed | Acquired | Company | Service |
|---|---|---|---|
| <C> | <C> | <S> | <C> |
| 1969 | Aug. 1989 | Northeast Datacom, Inc., New Haven, CT | Data processing |
| 1978 | Feb. 1990 | Financial Accounting Services Inc., Pittsburgh, PA | Data processing |
| 1974 | June 1990 | Accurate Data On Line, Inc., Titusville, FL | Data processing |
| 1982 | June 1990 | GTE EFT Services Money Network, Fresno, CA | EFT networks |
| 1968 | July 1990 | First Interstate Management, Milwaukee, WI | Data processing |
| 1982 | Oct. 1990 | GTE ATM Networks, Fresno, CA | EFT networks |

| | | | | |
|---|---|---|---|---|
| 1867 | Nov. | 1990 | Boston Safe Deposit & Trust Co. IP Services, MA | Item processing |
| 1968 | Dec. | 1990 | First Bank, N.A. IP Services, Milwaukee, WI | Item processing |
| 1979 | Apr. | 1991 | Citicorp Information Resources, Inc., Stamford, CT | Data processing |
| 1980 | Apr. | 1991 | BMS Processing, Inc., Randolph, MA | Item processing |
| 1979 | May | 1991 | FHLB of Dallas IP Services, Dallas, TX | Item processing |
| 1980 | Nov. | 1991 | FHLB of Chicago IP Services, Chicago, IL | Item processing |
| 1977 | Feb. | 1992 | Data Holdings, Inc., Indianapolis, IN | Automated card services |
| 1980 | Feb. | 1992 | BMS On-Line Services, Inc. (assets), Randolph, MA | Data processing |
| 1982 | Mar. | 1992 | First American Information Services, St. Paul, MN | Data processing |
| 1981 | July | 1992 | Cadre, Inc., Avon, CT (sold 1996) | Disaster recovery |
| 1992 | July | 1992 | Performance Analysis, Inc., Cincinnati, OH | Asset/liability management |
| 1986 | Oct. | 1992 | Chase Manhattan Bank, REALM Software, NY | Asset/liability management |
| 1984 | Dec. | 1992 | Dakota Data Processing, Inc., Fargo, ND | Data processing |
| 1983 | Dec. | 1992 | Banking Group Services, Inc., Somerville, MA | Item processing |
| 1968 | Feb. | 1993 | Basis Information Technologies, Atlanta, GA | Data processing, EFT |
| 1986 | Mar. | 1993 | IPC Service Corporation (assets), Denver, CO | Item processing |
| 1973 | May | 1993 | EDS' FHLB Seattle (assets), Seattle, WA | Item processing |
| 1982 | June | 1993 | Datatronix Financial Services, San Diego, CA | Item processing |
| 1966 | July | 1993 | Data Line Service, Covina, CA | Data processing |
| 1978 | Nov. | 1993 | Financial Processors, Inc., Miami, FL | Data processing |
| 1974 | Nov. | 1993 | Financial Data Systems, Jacksonville, FL | Item processing |
| 1961 | Nov. | 1993 | Financial Institutions Outsourcing, Pittsburgh, PA | Data processing |
| 1972 | Nov. | 1993 | Data-Link Systems, South Bend, IN | Mortgage banking services |
| 1985 | Apr. | 1994 | National Embossing Company, Inc., Houston, TX | Automated card services |
| 1962 | May | 1994 | Boatmen's Information Systems of Iowa, Des Moines | Data processing |
| 1981 | Aug. | 1994 | FHLB of Atlanta IP Services, Atlanta, GA | Item processing |
| 1989 | Nov. | 1994 | CBIS Imaging Technology Banking Unit, Maitland, FL | Imaging technology |
| 1987 | Dec. | 1994 | RECOM Associates, Inc., Tampa, FL (sold 1998) | Network integration |
| 1970 | Jan. | 1995 | Integrated Business Systems, Glendale, CA | Specialized forms |
| 1977 | Feb. | 1995 | BankLink, Inc., New York, NY | Cash management |
| 1976 | May | 1995 | Information Technology, Inc., Lincoln, NE | Software & services |
| 1957 | Aug. | 1995 | Lincoln Holdings, Inc., Denver, CO | DP for retirement planning |
| 1993 | Sept. | 1995 | SRS, Inc., Austin, TX | Data processing |
| 1992 | Sept. | 1995 | ALLTEL's Document Management Services, CA, NJ | Item processing |
| 1978 | Nov. | 1995 | Financial Information Trust, Des Moines, IA | Data processing |
| 1983 | Jan. | 1996 | UniFi, Inc., Fort Lauderdale, FL | Software & services |
| 1982 | Nov. | 1996 | Bankers Pension Services, Inc., Tustin, CA | DP for retirement planning |

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<TABLE>
<CAPTION>

| Formed | Acquired | | Company | Service |
|---|---|---|---|---|
| <C> | <C> | | <S> | <C> |
| 1992 | Apr. | 1997 | AdminaStar Communications, Indianapolis, IN | Laser print/mailing services |
| 1982 | May | 1997 | Interactive Planning Systems, Atlanta, GA | PC-based financial systems |
| 1983 | May | 1997 | BHC Financial, Inc., Philadelphia, PA | Securities processing services |
| 1968 | Sept. | 1997 | FIS, Inc., Orlando, FL, and Baton Rouge, LA | Data processing |
| n/a | Sept. | 1997 | Stephens Inc. clearing business, Little Rock, AR | Securities processing services |
| 1986 | Oct. | 1997 | Emerald Publications, San Diego, CA | Financial seminars & training |
| 1968 | Oct. | 1997 | Central Service Corp., Greensboro, NC | Data & item processing |
| 1993 | Oct. | 1997 | Savoy Discount Brokerage, Seattle WA | Securities processing services |
| 1990 | Dec. | 1997 | Hanifen, Imhoff Holdings, Inc., Denver,CO | Securities processing services |
| 1980 | Jan. | 1998 | Automated Financial Technology, Inc., Malvern, PA | Data processing |
| 1981 | Feb. | 1998 | The LeMans Group, King of Prussia, PA | Automobile leasing software |
| n/a | Feb. | 1998 | PSI Group, Seattle, WA | Laser printing |
| 1956 | Apr. | 1998 | Network Data Processing Corporation, Cedar Rapids, IA | Insurance data processing |
| 1977 | Apr. | 1998 | CUSA Technologies, Inc., Salt Lake City, UT | Software & services |
| 1982 | May | 1998 | Specialty Insurance Service, Orange, CA | Insurance data processing |
| 1985 | Aug. | 1998 | Deluxe Card Services, St. Paul, MN | Automated card services |
| 1981 | Oct. | 1998 | FHLB of Topeka IP Services, Topeka, KS | Item processing |
| n/a | Oct. | 1998 | FiCATS, Norristown, PA | Item processing |
| 1984 | Oct. | 1998 | Life Instructors, Inc., New Providence, NJ | Insurance/securities training |
| 1994 | Nov. | 1998 | ASI Financial, Inc., New Jersey and New York | PC-based financial systems |
| 1986 | Dec. | 1998 | The FREEDOM Group, Inc., Cedar Rapids, IA | Insurance data processing |

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## Technology Resources

Fiserv is a technology company focused on serving the financial data processing and related information management needs of financial intermediaries and service providers throughout the financial industry. No matter what a client requires for automation, Fiserv offers a business-specific technology solution to satisfy its needs. Fiserv products and services are designed to help clients meet their ultimate goal of giving their customers the best possible service quickly, accurately and completely.

Account & Transaction Processing. The key point of contact between money and technology lies within the financial transaction. Since the Company's formation nearly 15 years ago, Fiserv has focused its technology on providing account and transaction processing services for the financial industry. This dedication hasn't changed. Processing financial transactions continues to be the main business of Fiserv, with banks, credit unions, thrifts and mortgage banks comprising its largest category of clients.

Fiserv account and transaction processing solutions run as service bureau, resource management (operating a client's systems at a Fiserv data center), facilities management (onsite management of a client's operations by Fiserv personnel) or through licensed software for in-house systems. Comprehensive automation systems from Fiserv are designed for banks, credit unions, thrifts, mortgage banks, securities brokers, financial planners / investment advisers, insurance companies and leasing organizations. Fiserv provides a complete line of account and transaction processing systems and related information management products and services.

Fiserv offers a comprehensive portfolio of securities processing and trust services, providing integrated brokerage processing and outsourcing services to securities brokerage affiliates of banks, mutual fund companies, insurance companies and independent broker-dealers.



Fiserv also provides comprehensive retirement plan and custodial account processing services designed to help individuals and businesses focus on saving for the future.

Electronic Commerce Transactions. Fiserv is a leading provider of the technology solutions that support electronic commerce. The Company offers the more traditional services, including electronic funds transfer, transaction authorization, Automated Teller Machine (ATM) and debit card processing. Fiserv also provides automated voice response systems, remote banking services and comprehensive Internet solutions.

Item / Back Office Processing. Fiserv currently has regional item processing centers in more than 60 cities throughout North America. As a leading provider of specialized check processing services to financial institutions, Fiserv has refined the outsourcing relationship to create the most beneficial partnership possible. This allows the Company's clients to maintain the high quality service and investment in technology that their customers expect, while maximizing their own efficiency through the expertise and resources of Fiserv.

Operations Support. Operations support encompasses a number of different systems and services that are either made possible through or enhanced by technology. Fiserv provides financial institutions with advanced call center systems; financial investment and trading services; card-issuance and business communications solutions; industry-specific forms and related printed products; high-quality, technologically advanced imaging software and integration services; mortgage origination and tracking; financial seminar programs and related marketing and training systems; Internet-based online training programs for insurance and securities; and advanced terminal and platform systems.

Management Information Systems. Fiserv provides a number of systems specifically designed to gather, analyze and disseminate information throughout an organization, including: cash and investment management services; enterprisewide data warehouse and data mining solutions; PC-based tools for strategic balance sheet management, profitability measurement, and financial accounting management and planning; and outsourcing for human resources and related personnel management tasks.

## Servicing the Market

The market for Fiserv account and transaction processing services and products has specific needs and requirements, with strong emphasis placed by clients on software flexibility, product quality, reliability of service, comprehensiveness and integration of product line, timely introduction of new products and features, and cost effectiveness. Through its multiple product offerings, the Company successfully services these market needs for clients ranging in size from start-ups to some of the largest institutions worldwide.

Fiserv believes that the position it holds as an independent, growth-oriented company dedicated to its business is an advantage to its clients. The Company differs from many of the account and transaction processing resources currently available since it isn't a regional or local cooperatively owned organization, nor a data processing subsidiary, an affiliate of a financial institution or a hardware vendor. Due to the economies of scale gained through its broad market presence, Fiserv offers clients a selection of data processing solutions designed to meet the specific needs of the ever-changing financial industry.

The Company believes this independence and primary focus on the financial industry helps its business development and related client service and product support teams remain responsive to the technology needs of its market, now and for the future.

"The Client Comes First" is one of the Company's founding principles. It's a belief



backed by a dedication to providing ongoing client service and support--no matter the client size.

The Company's commitment of substantial resources to training and technical support helps keep Fiserv clients first. Fiserv conducts the majority of its new and ongoing client training in its technology centers, where the Company maintains fully equipped demonstration and training facilities containing equipment used in the delivery of Fiserv services. Fiserv also provides local and on-site training services.

## Product Development

In order to meet the changing technology needs of the clients served by Fiserv, the Company continually develops, maintains and enhances its systems. Resources applied to product development and maintenance are believed to be approximately 8% to 10% of Company revenues, about half of which is dedicated to software development.

Unique to Fiserv, its network of development and financial information technology centers applies the shared expertise of multiple Fiserv teams to design, develop and maintain specialized processing systems around the leading technology platforms. The applications of its account processing systems meet the preferences and diverse requirements of the various international, national, regional or local market-specific financial service environments of the Company's many clients.

Though all Fiserv centers rely on the Company's nationally developed and supported software, each center has specialized capabilities that enable them to offer system application features and functions unique to their client base. Where the client's requirements warrant, Fiserv purchases software programs from third parties which are interfaced with existing Fiserv systems. In developing its products, Fiserv stresses interaction with and responsiveness to the needs of its clients.

Fiserv provides a dedicated system designed, developed, maintained and enhanced according to each client's goals for service quality, business development, asset/liability mix, local-market positioning and other user-defined parameters.

## Competition

The market for information technology products and services within the financial industry is highly competitive. The Company's principal competitors include internal data processing departments, data processing affiliates of large companies or large computer hardware manufacturers, independent computer service firms and processing centers owned and operated as user cooperatives. Certain competitors possess substantially greater financial, sales and marketing resources than the Company. Competition for in-house data processing and software departments is intensified by the efforts of computer hardware vendors who encourage the growth of internal data centers.

Competitive factors for processing services include product quality, reliability of service, comprehensiveness and integration of product line, timely introduction of new products and features, and price. The Company believes that it competes favorably in each of these categories. In addition, the Company believes that its position as an independent vendor, rather than as a cooperative, an affiliate of a larger corporation or a hardware vendor, is a competitive advantage.



## Government Regulation

The Company's data processing subsidiaries are not themselves directly subject to federal or state regulations specifically applicable to financial institutions such as banks, thrifts and credit unions. As a provider of services to these entities, however, the data processing operations are observed from time to time by the Federal Deposit Insurance Corporation, the National Credit Union Association, the Office of Thrift Supervision, the Office of the Comptroller of the Currency and various state regulatory authorities. In addition, the Company's operations are reviewed annually by an independent auditor to provide required internal control evaluations for its clients' auditors and regulators.

As trust companies under Colorado law, First Trust and Lincoln Trust are subject to the regulations of the Colorado Division of Banking. First Trust and Lincoln Trust historically have complied with such regulations and although no assurance can be given, the Company believes First Trust and Lincoln Trust will continue to be able to comply with such regulations. Commencing in 1991, First Trust received approval of its application for Federal Deposit Insurance Corporation coverage of its customer deposits.

The Company's clearing businesses, BHC Securities and affiliates and Fiserv Correspondent Services (formerly Hanifen, Imhoff Clearing Corp.), are subject to the broker-dealer rules of the Securities and Exchange Commission and the New York Stock Exchange, as well as the National Association of Securities Dealers and other stock exchanges of which they are members.

## Employees

Fiserv employs approximately 12,500 specialists throughout the United States and worldwide in its information management centers and related product and service companies. This service support network includes employees with backgrounds in computer science and the financial industry, often complemented by management and other direct experience in banks, credit unions, mortgage firms, savings and other financial services business environments.

Fiserv employees provide expertise in sales and marketing; account management and client services; computer operations, network control and technical support; programming, software development, modification and maintenance; conversions and client training; financial planning; and related support services.

Fiserv employees are not represented by a union, and there have been no work stoppages, strikes or organizational attempts. The service nature of the Fiserv business makes its employees an important corporate asset, and while the market for qualified personnel is competitive, the Company does not experience significant difficulty with hiring or retaining its staff of top industry professionals. In assessing companies to acquire, the quality and stability of the prospective company's staff are emphasized.

Management attributes its ability to attract and keep quality employees to, among other things, the Company's growth and dedication to state-of-the-art software development tools and hardware technologies.

## Item 2. Properties

Fiserv currently operates full-service data centers, software system development centers and item processing and back-office support centers in 94 cities (78 in the United States):



Birmingham, Alabama; Little Rock, Arkansas; Phoenix and Scottsdale, Arizona; Covina, Fresno, Fullerton, Irvine, Orange, Sacramento, San Diego, San Leandro, Van Nuys and Walnut, California; Denver and Englewood, Colorado; New Haven, Connecticut; Jacksonville, Maitland, Miami, Orlando, Plantation, Tampa and Titusville, Florida; Atlanta, Macon and Norcross, Georgia; Cedar Rapids and Des Moines, Iowa; Arlington Heights, Chicago and Marion, Illinois; Indianapolis and South Bend, Indiana; Topeka, Kansas; Bowling Green, Kentucky; Baton Rouge and New Orleans, Louisiana; Braintree, Mansfield, Somerville and West Springfield, Massachusetts; Flint and Troy, Michigan; Mendota Heights and St. Paul, Minnesota; Lincoln and Omaha, Nebraska; New Providence and Piscataway, New Jersey; Brooklyn, Lake Success, Melville, New York, Syracuse and Utica, New York; Greensboro, North Carolina; Fargo, North Dakota; Cleveland, Ohio; Oklahoma City, Oklahoma; Corvallis and Portland, Oregon; Malvern, King of Prussia, Philadelphia, Pittsburgh, Valley Forge and Williamsport, Pennsylvania; Newberry, South Carolina; Amarillo (FM), Beaumont, Dallas, Houston and San Antonio, Texas; Salt Lake City, Utah; Seattle, Washington; and Brookfield and Milwaukee, Wisconsin. International business centers are located in Sydney, Australia; Calgary, Edmonton, Halifax, London, Montreal, Regina, Toronto, Vancouver, Victoria and Winnipeg, Canada; London, England; Jakarta, Indonesia; Manila, Philippines; Warsaw, Poland; and Singapore.

The Company owns facilities in Brookfield, Corvallis, Fresno, Lincoln, Marion, Miami and South Bend; all other buildings in which centers are located are subject to leases expiring through 1999 and beyond. The Company owns or leases 140 mainframe computers (Data General, Hewlett Packard, IBM, NCR, Tandem and Unisys). In addition, the Company maintains its own national data communication network consisting of communications processors and leased lines.

Fiserv believes its facilities and equipment are generally well maintained and are in good operating condition. The Company believes that the computer equipment it owns and its various facilities are adequate for its present and foreseeable business. Fiserv periodically upgrades its mainframe capability as needed. Fiserv contracts with multiple sites to provide processing backup in the event of a disaster and maintains duplicate tapes of data collected and software used in its business in locations away from the Company's facilities.

Fiserv regards its software as proprietary and utilizes a combination of trade secrecy law, internal security practices and employee non-disclosure agreements for protection. The Company believes that legal protection of its software, while important, is less significant than the knowledge and experience of the Company's management and personnel and their ability to develop, enhance and market new products and services. The Company believes that it holds all proprietary rights necessary for the conduct of its business.

Item 3. Legal Proceedings

In the normal course of business, the Company and its subsidiaries are named as defendants in various lawsuits in which claims are asserted against the Company. 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 the financial statements of the Company.



Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of the fiscal year covered by this report, no matter was submitted to a vote of security holders of the Company.

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## PART II

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Pursuant to Instruction G(2) for Form 10-K, the information required in Items 5 through 8 is incorporated by reference from the Company's annual report to shareholders included in this Form 10-K Annual Report as Exhibit 13.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

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## PART III

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Pursuant to Instruction G(3) for Form 10-K, the information required in Items 10 through 13 is incorporated by reference from the Company's definitive proxy statement which is expected to be filed pursuant to Regulation 14A on or before February 23, 1999.

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## PART IV

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Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements:

The consolidated financial statements of the companies as of December 31, 1998 and 1997 and for each of the three years in the period ending December 31, 1998, together with the report thereon of Deloitte & Touche LLP, dated January 29, 1999, appear on pages 23 through 42 of the Company's annual report to shareholders, Exhibit 13 to this Form 10-K Annual Report, and are incorporated herein by reference. Deloitte & Touche LLP relied upon the report of other



auditors (Exhibit 99.1) for 1996 as to BHC Financial, Inc. and subsidiaries (BHC), due to the acquisition of BHC by the Company in 1997 accounted for on a pooling of interests basis.

(a) (2) Financial Statement Schedule:

The following financial statement schedule of the Company and related documents are included in this Report on Form 10-K:

<TABLE>
<CAPTION>

| | Page |
| --- | --- |
| Independent Auditors' Report | 13 |
| Schedule II--Valuation and Qualifying Accounts | 13 |

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(b) Reports on Form 8-K:

During 1998, the Company filed four reports on Form 8-K, as follows:

1. 1997 year-end earnings release filed on January 20, 1998.
2. Shareholders' Rights Plan filed on February 24, 1998.
3. 3-for-2 stock split announcement filed on March 24, 1998.
4. Exchange ratio applicable to CUSA Technologies, Inc. merger filed on May 8, 1998.

(c) Exhibits:

2.1 Stock Purchase Agreement, dated as of April 6, 1995, by and between Fiserv, Inc. and Information Technology, Inc. (filed as Exhibit 2.1 to the Company's Registration Statement on Form S-3, File No. 33-58709, and incorporated herein by reference).

3.1 Articles of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-4, File No. 333-23349, and incorporated herein by reference).

3.2 By-laws, as amended (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-4, File No. 333-47199, and incorporated herein by reference).

3.3 Shareholder Rights Plan (filed as Exhibit 4 to the Company's Current Report on Form 8-K dated February 24, 1998 and incorporated herein by reference).

4.1 Credit Agreement dated as of May 17, 1995, as amended, by and among Fiserv, Inc., the Lenders Party Hereto, First Bank National Association, as Co-Agent and The Bank of New York, as Agent. (Not being filed herewith, but will be provided to the Commission upon its request, pursuant to Item 601(b) (4) (iii) (A) of Regulation S-K.)

4.2 Note Purchase Agreement dated as of March 15, 1991, as amended, among Fiserv, Inc., Aid Association for Lutherans, Northwestern National Life Insurance Company, Northern Life Insurance Company and The North Atlantic Life Insurance Company of America. (Not being filed herewith, but will be provided to the Commission upon its request, pursuant to Item 601(b) (4) (iii) (A) of Regulation S-K.)

4.3 Note Purchase Agreement dated as of April 30, 1990, as amended, among Fiserv, Inc. and Teachers Insurance and Annuity Association of America. (Not being filed herewith,



but will be provided to the Commission upon its request, pursuant to Item 601(b) (4) (iii) (A) of Regulation S-K.)

4.4 Note Purchase Agreement dated as of May 17, 1995, as amended, among Fiserv, Inc., Teachers Insurance and Annuity Association of America, Massachusetts Mutual Life Insurance Company, Aid Association for Lutherans, Northern Life Insurance Company and Northwestern National Life Insurance Company. (Not being filed herewith, but will be provided to the Commission upon its request, pursuant to Item 601(b) (4) (iii) (A) of Regulation S-K.)

11. Computation of Shares Used in Computing Diluted Earnings per Share.

13. The 1998 Annual Report to Shareholders.

21. List of Subsidiaries of the Registrant.

23. Consent of Independent Auditors.

27. Financial Data Schedule.

99.1 Report of Independent Accountants.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 23, 1999
FISERV, INC.

By /s/ George D. Dalton
George D. Dalton
(Chairman of the Board)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following person on behalf of the registrant and in the capacities indicated on February 23, 1999.

| Signature | Capacity |
|---|---|
| /s/ George D. Dalton<br>George D. Dalton | Chairman of the Board, Chief Executive Officer |
| /s/ Leslie M. Muma<br>Leslie M. Muma | Vice Chairman of the Board, President, Chief Operating Officer |
| /s/ Donald F. Dillon<br>Donald F. Dillon | Vice Chairman of the Board, Chairman - Information Technology, Inc. |
| /s/ Kenneth R. Jensen<br>Kenneth R. Jensen | Senior Executive Vice President, Chief Financial Officer, Treasurer, Director |
| /s/ Thomas P. Gerrity<br>Thomas P. Gerrity | Director |
| /s/ Gerald J. Levy<br>Gerald J. Levy | Director |
| /s/ L. William Seidman<br>L. William Seidman | Director |
| /s/ Thekla R. Shackelford<br>Thekla R. Shackelford | Director |



## INDEPENDENT AUDITORS' REPORT

Shareholders and Directors of Fiserv, Inc.:

We have audited the consolidated financial statements of Fiserv, Inc. and subsidiaries as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, and have issued our report thereon dated January 29, 1999. Such consolidated financial statements and report are included in your 1998 Annual Report to Shareholders and are incorporated herein by reference. Our report on the consolidated financial statements indicates that our opinion as to the amounts included for BHC Financial, Inc. and subsidiaries for the year ended December 31, 1996, is based solely on the report of other auditors. Our audits also included the consolidated financial statement schedule of Fiserv, Inc., listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP
- -------------------------
DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin
January 29, 1999

## SCHEDULE II
Valuation and Qualifying Accounts

Allowance for Doubtful Accounts

<TABLE>
<CAPTION>

| Year Ended December 31, | Beginning Balance | Charged to Expense | Write-offs | Balance |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| 1998 | $6,903,000 | $4,762,000 | ($5,124,000) | $6,541,000 |
| 1997 | 3,796,000 | 3,483,000 | (376,000) | 6,903,000 |
| 1996 | 5,026,000 | (630,000) | (600,000) | 3,796,000 |

</TABLE>

EXHIBIT 11

COMPUTATION OF SHARES
USED IN COMPUTING
DILUTED EARNINGS PER SHARE

| | Year Ended December 31, 1998 | 1997 | 1996 |
|---|---|---|---|
| Diluted: | | | |
| Weighted Average Shares Outstanding | 81,915,000 | 78,014,000 | 76,490,000 |
| Common Stock Equivalents | 2,854,000 | 2,278,000 | 1,579,000 |
| Shares Used | 84,769,000 | 80,292,000 | 78,069,000 |

Note: Above information has been restated to recognize a 3-for-2 stock split effective May 29, 1998.

EXHIBIT 13

1998 ANNUAL REPORT
FISERV, INC. AND SUBSIDIARIES

15

[1998]





CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| (In thousands, except per share data)<br>Year ended December 31, | 1998 | 1997 | 1996 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Revenues | $ 1,233,670 | $ 974,432 | $ 879,449 |
| Cost of Revenues: | | | |
| Salaries, commissions and payroll related costs | 573,187 | 454,850 | 394,932 |
| Data processing expenses, rentals and telecommunication costs | 119,205 | 100,601 | 97,721 |
| Other operating expenses | 259,126 | 189,982 | 164,003 |
| Depreciation and amortization of property and equipment | 60,697 | 49,119 | 44,120 |
| Amortization of intangible assets | 15,754 | 14,067 | 21,391 |
| (Capitalization) amortization of internally generated computer software--net | (3,938) | 36 | 3,732 |
| Total | 1,024,031 | 808,655 | 725,899 |
| Operating Income | 209,639 | 165,777 | 153,550 |
| Interest expense--net | 15,955 | 11,878 | 19,088 |
| Income Before Income Taxes | 193,684 | 153,899 | 134,462 |
| Income tax provision | 79,410 | 63,099 | 54,754 |
| Net Income | $ 114,274 | $ 90,800 | $ 79,708 |
| Net Income Per Share: | | | |
| Basic | $1.40 | $1.16 | $1.04 |
| Diluted | $1.35 | $1.13 | $1.02 |
| Shares Used in Computing Net Income Per Share: | | | |
| Basic | 81,915 | 78,014 | 76,490 |
| Diluted | 84,769 | 80,292 | 78,069 |

</TABLE>

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

| (In thousands)<br>December 31, | 1998 | 1997 |
|---|---|---|
| <S> | <C> | <C> |
| Assets | | |
| Cash and cash equivalents | $ 71,558 | $ 89,377 |
| Accounts receivable | 246,851 | 197,771 |
| Securities processing receivables | 1,402,650 | 1,386,169 |
| Prepaid expenses and other assets | 83,453 | 91,278 |
| Trust account investments | 1,098,773 | 1,082,740 |
| Other investments | 180,099 | 125,999 |
| Deferred income taxes | 14,545 | 35,233 |
| Property and equipment--net | 179,434 | 149,055 |
| Internally generated computer software--net | 85,821 | 73,163 |
| Intangible assets--net | 595,154 | 405,706 |
| Total | $3,958,338 | $3,636,491 |
| Liabilities and Shareholders' Equity | | |
| Accounts payable | $ 65,385 | $ 53,828 |
| Securities processing payables | 1,207,838 | 1,184,277 |
| Short-term borrowings | 38,350 | 94,975 |
| Accrued expenses | 150,519 | 123,380 |
| Accrued income taxes | 14,768 | 8,436 |
| Deferred revenues | 107,286 | 67,569 |
| Trust account deposits | 1,098,773 | 1,082,740 |
| Long-term debt | 389,622 | 252,031 |
| Total Liabilities | 3,072,541 | 2,867,236 |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| Common stock issued, 83,253,000 and 80,887,000 shares, respectively | 833 | 809 |
| Additional paid-in capital | 448,877 | 427,515 |
| Accumulated other comprehensive income | 39,875 | 16,563 |
| Accumulated earnings | 438,642 | 324,368 |
| Treasury stock, at cost (1,200,000 shares) | (42,430) | |
| Total Shareholders' Equity | 885,797 | 769,255 |
| Total | $3,958,338 | $3,636,491 |

</TABLE>

See notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

| (In thousands)<br>Year ended December 31, | 1998 | | 1997 | | 1996 | |
|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares Issued--150,000,000 Authorized: | | | | | | |
| Balance at beginning of year | 53,925 | | 51,032 | | 50,571 | |
| Shares issued under stock plans--net | 495 | | 585 | | 327 | |
| Shares issued for acquired companies | 1,132 | | 2,308 | | 134 | |
| Three-for-two stock split | 27,701 | | | | | |
| Balance at end of year | 83,253 | | 53,925 | | 51,032 | |
| Common Stock--Par Value $.01 Per Share: | | | | | | |
| Balance at beginning of year | $ 539 | | $ 510 | | $ 506 | |
| Shares issued under stock plans--net | 5 | | 6 | | 3 | |
| Shares issued for acquired companies | 11 | | 23 | | 1 | |
| Three-for-two stock split | 278 | | | | | |
| Balance at end of year | 833 | | 539 | | 510 | |
| Additional Paid-in Capital: | | | | | | |
| Balance at beginning of year | 427,785 | | 352,916 | | 345,448 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Shares issued under stock plans--net | 5,036 | | 10,034 | | 4,893 | |
| Income tax reduction arising from the exercise of employee stock options | 8,000 | | 5,000 | | 2,000 | |
| Shares issued for acquired companies | 8,334 | | 59,835 | | 575 | |
| Three-for-two stock split | (278) | | | | | |
| Balance at end of year | 448,877 | | 427,785 | | 352,916 | |
| Accumulated Other Comprehensive Income: | | | | | | |
| Balance at beginning of year | 16,563 | | 18,904 | | 15,052 | |
| Unrealized gain (loss) on investments | 23,492 | $23,492 | (2,179) | ($2,179) | 3,353 | $3,353 |
| Foreign currency translation adjustment | (180) | (180) | (162) | (162) | 499 | 499 |
| Balance at end of year | 39,875 | | 16,563 | | 18,904 | |
| Accumulated Earnings: | | | | | | |
| Balance at beginning of year | 324,368 | | 233,568 | | 153,860 | |
| Net income | 114,274 | 114,274 | 90,800 | 90,800 | 79,708 | 79,708 |
| Balance at end of year | 438,642 | | 324,368 | | 233,568 | |
| Treasury Stock at Cost--1,200,000 Shares | (42,430) | | | | | |
| Total Comprehensive Income | | $137,586 | | $88,459 | | $83,560 |
| Total Shareholders' Equity | $885,797 | | $769,255 | | $605,898 | |

</TABLE>

See notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| (In thousands) Year ended December 31, | 1998 | 1997 | 1996 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Cash Flows from Operating Activities: | | | |
| Net income | $ 114,274 | $ 90,800 | $ 79,708 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Deferred income taxes | 2,463 | 4,234 | 2,225 |
| Depreciation and amortization of property and equipment | 60,697 | 49,119 | 44,120 |
| Amortization of intangible assets | 15,754 | 14,067 | 21,391 |
| (Capitalization) amortization of internally generated computer software - net | (3,938) | 36 | 3,732 |
| | 189,250 | 158,256 | 151,176 |
| Cash provided (used) by changes in assets and liabilities, net of effects from acquisitions of businesses: | | | |
| Accounts receivable | (22,860) | (19,191) | (4,881) |
| Securities processing receivables/payables - net | 7,080 | (5,948) | (3,660) |
| Prepaid expenses and other assets | 9,618 | (7,073) | 8,252 |
| Accounts payable and accrued expenses | 32,422 | 23,681 | 8,034 |
| Deferred revenues | 21,197 | 17,313 | 5,232 |
| Accrued income taxes | 13,109 | 2,520 | 5,961 |
| Net cash provided by operating activities | 249,816 | 169,558 | 170,114 |
| Cash Flows from Investing Activities: | | | |
| Capital expenditures | (77,542) | (39,765) | (39,450) |
| Payment for acquisition of businesses, net of cash acquired | (217,792) | (65,017) | (8,025) |
| Investments | (30,779) | (167,812) | (133,979) |
| Due on sale of investments | | | 97,446 |
| Net cash used by investing activities | (326,113) | (272,594) | (84,008) |
| Cash Flows from Financing Activities: | | | |
| Repayment of short-term obligations - net | (56,625) | (7,900) | (8,700) |
| Proceeds from borrowings on long-term obligations | 143,245 | 18,120 | 6,000 |
| Repayment of long-term obligations | (6,785) | (41,316) | (116,940) |
| Issuance of common stock | 5,041 | 10,040 | 4,896 |
| Purchases of treasury stock | (42,430) | | |
| Trust account deposits | 16,032 | 112,187 | 53,364 |
| Net cash provided (used) by financing activities | 58,478 | 91,131 | (61,380) |
| Change in cash and cash equivalents | (17,819) | (11,905) | 24,726 |

| | | | |
|---|---|---|---|
| Beginning balance | 89,377 | 101,282 | 76,556 |
| Ending balance | $ 71,558 | $ 89,377 | $101,282 |

</TABLE>

See notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ending December 31, 1998, 1997 and 1996

[Note 1] Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash and investments with original maturities of 90 days or less.

Prepaid Expenses and Other Assets
Prepaid expenses and other assets at December 31, 1998 and 1997 include $10,180,000 and $10,526,000, respectively, relating to long-term contracts, the profit from which is being recognized ratably over the periods to be benefited.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values
The carrying amounts of cash and cash equivalents, accounts receivable and payable, securities processing receivables and payables, short and long-term borrowings and derivative instruments approximated fair value as of December 31, 1998 and 1997.

Derivative Instruments
Interest rate hedge transactions are utilized to manage interest rate exposure. The interest differential on interest rate swap contracts used to hedge underlying debt obligations is reflected as an adjustment to interest expense over the life of the contracts.

Securities Processing Receivables and Payables
The Company's securities processing subsidiaries had receivables from and payables to brokers or dealers and clearing organizations related to the following at December 31, 1998 and 1997:

<TABLE>
<CAPTION>

| (In thousands) | 1998 | 1997 |
|---|---|---|
| Receivables: | | |
| Securities failed to deliver | $33,918 | $22,280 |
| Securities borrowed | 586,210 | 495,834 |
| Receivables from customers | 758,669 | 833,348 |
| Other | 23,853 | 34,707 |
| Total | $1,402,650 | $1,386,169 |
| Payables: | | |
| Securities failed to receive | $20,935 | $32,091 |
| Securities loaned | 703,164 | 567,253 |
| Payables to customers | 389,372 | 488,404 |
| Other | 94,367 | 96,529 |
| Total | $1,207,838 | $1,184,277 |

</TABLE>

Securities borrowed and loaned represent deposits made to or received from other broker-dealers. Receivables from and payables to customers represent amounts due on cash and margin transactions.

Short-Term Borrowings
The Company's securities processing subsidiaries had short-term bank loans payable of $38,350,000 and $94,975,000 as of December 31, 1998 and 1997, respectively, which bear interest at the respective bank's call rate and were collateralized by customers' margin account securities.

Trust Account Investments and Deposits
The Company's trust administration subsidiaries accept money market deposits from trust customers and invest the funds in securities. Such amounts due trust depositors represent the primary source of funds for the Company's investment securities and amounted to $1,098,773,000 and $1,082,740,000 in 1998 and 1997, respectively. The related investment securities, including amounts representing Company funds, comprised the following at December 31:



<TABLE>
<CAPTION>

| (In thousands) 1998 | Principal Amount | Carrying Value | Market Value |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| U.S. Government and government agency obligations | $ 756,928 | $ 765,152 | $ 766,708 |
| Corporate bonds | 5,492 | 5,494 | 5,501 |
| Repurchase agreements | 41,370 | 41,370 | 41,370 |
| Other fixed income obligations | 357,230 | 358,710 | 360,496 |
| Total | $1,161,020 | 1,170,726 | $1,174,075 |
| Less amounts representing Company funds: | | | |
| Included in cash and cash equivalents | | 756 | |
| Included in other investments | | 71,197 | |
| Trust account investments | | $1,098,773 | |
| 1997 | | | |
| U.S. Government and government agency obligations | $ 671,384 | $682,218 | $ 686,765 |
| Corporate bonds | 18,326 | 18,371 | 18,364 |
| Repurchase agreements | 95,227 | 95,227 | 95,227 |
| Other fixed income obligations | 371,514 | 370,714 | 371,840 |
| Total | $1,156,451 | 1,166,530 | $1,172,196 |
| Less amounts representing Company funds: | | | |
| Included in cash and cash equivalents | | 22,985 | |
| Included in other investments | | 60,805 | |
| Trust account investments | | $1,082,740 | |

</TABLE>

Substantially all of the investments at December 31, 1998 have contractual maturities of one year or less except for government agency and certain fixed income obligations which have an average duration of approximately two years and six months.

Property and Equipment
Property and equipment are stated at cost. Depreciation and amortization are computed using primarily the straight-line method over the estimated useful lives of the assets, ranging from three to 40 years:

<TABLE>
<CAPTION>

| (In thousands) December 31, | 1998 | 1997 |
|---|---|---|
| <S> | <C> | <C> |
| Data processing equipment | $227,346 | $197,422 |
| Purchased software | 73,446 | 58,161 |
| Buildings and leasehold improvements | 75,158 | 56,307 |
| Furniture and equipment | 88,915 | 58,279 |
| | 464,865 | 370,169 |
| Less accumulated depreciation and amortization | 285,431 | 221,114 |
| Total | $179,434 | $149,055 |

</TABLE>



Internally Generated Computer Software

Certain costs incurred to develop new software and enhance existing software are capitalized and amortized over the expected useful life of the product, generally five years. Activity during the three years ended December 31, 1998 was as follows:

<TABLE>
<CAPTION>

| (In thousands) | 1998 | 1997 | 1996 |
|---|---|---|---|

| <S> | <C> | <C> | <C> |
|---|---|---|---|
| Beginning balance | $ 73,163 | $70,487 | $73,863 |
| Capitalized costs | 30,579 | 25,011 | 26,366 |
| Acquisitions--net | 8,720 | 2,712 | 356 |
| | 112,462 | 98,210 | 100,585 |
| Less amortization | 26,641 | 25,047 | 30,098 |
| Total | $ 85,821 | $73,163 | $70,487 |

</TABLE>

During the fourth quarters of 1997 and 1996, the Company recorded charges of $3,207,000 and $5,443,000, respectively, relating to the accelerated amortization of software resulting from the planned consolidation of certain product lines. Routine maintenance of software products, design costs and development costs incurred prior to establishment of a product's technological feasibility are expensed as incurred. In addition, Year 2000 costs are expensed as incurred.

Intangible Assets

Intangible assets relate to acquisitions and consist of the following at December 31:

<TABLE>
<CAPTION>

| (In thousands) | 1998 | 1997 |
|---|---|---|
| <S> | <C> | <C> |
| Goodwill | $590,684 | $387,750 |
| Other | 96,571 | 95,240 |
| | 687,255 | 482,990 |
| Less accumulated amortization | 92,101 | 77,284 |
| Total | $595,154 | $405,706 |

</TABLE>

The excess of the purchase price over the estimated fair value of tangible and identifiable intangible assets acquired has been recorded as goodwill and is being amortized over 40 years. Other intangible assets comprise primarily computer software, contract rights, customer bases and trademarks applicable to business acquisitions. These assets are being amortized using the straight-line method over their estimated useful lives, ranging from three to 35 years. The Company periodically reviews goodwill and other long-lived assets to assess recoverability, and impairments would be recognized in operating results if a permanent diminution in value were to occur.

Income Taxes

The consolidated financial statements are prepared on the accrual method of accounting. Deferred income taxes are provided for temporary differences between the Company's income for accounting and tax purposes.

Revenue Recognition

Revenues from the sale of data processing services to financial institutions and administration of self-directed retirement plans are recognized as the related services are provided. Revenues include net investment income of $77,457,000, $63,620,000 and $49,237,000, net of direct credits to customer accounts of $50,180,000, $46,006,000 and $40,686,000 in 1998, 1997 and 1996, respectively. Deferred revenues consist primarily of advance billings for services and are recognized as revenue when the services are provided. Revenues from the sales of software are recognized in accordance with the AICPA's Statement of Position No. 97-2, "Software Revenue Recognition".

Income Per Share

Basic income per share is computed using the weighted average number of common shares outstanding during the periods. Diluted income per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the periods. Income per share for prior years has been restated to reflect a three-for-two stock split effective in May 1998.

Supplemental Cash Flow Information

<TABLE>
<CAPTION>

| (In thousands) | 1998 | 1997 | 1996 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Interest paid | $21,111 | $17,358 | $22,942 |
| Income taxes paid | 66,066 | 58,643 | 45,308 |
| Liabilities assumed in acquisitions of businesses | 39,816 | 197,235 | 1,596 |

</TABLE>

[Note 2] Acquisitions and Capital Transactions

Acquisitions
During 1998, 1997 and 1996 the Company completed the following acquisitions:

<TABLE>
<CAPTION>

| Company | Month Acquired | Service | Consideration |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| 1998: | | | |
| Automated Financial Technology, Inc. | Jan. | Account Processing | Stock for stock |
| PSI Group laser printing and custom packing operations | Feb. | Laser printing | Cash for assets |
| The LeMans Group | Feb. | Automobile leasing software | Cash for stock |
| Network Data Processing Corporation | Apr. | Insurance data processing | Stock for stock |
| CUSA Technologies, Inc. | Apr. | Software and services | Stock for stock |
| Specialty Insurance Service | May | Insurance data processing | Cash for stock |
| Deluxe Card Services, a division of Deluxe Corporation | Aug. | Automated card services | Cash for assets |
| Federal Home Loan Bank of Topeka item processing contracts | Oct. | Item processing | Cash for assets |
| Life Instructors, Inc. | Oct. | Insurance and securities training | Cash for stock |
| FiCATS | Oct. | Item processing | Cash for assets |
| ASI Financial Services, Inc. | Nov. | PC-based financial systems | Cash for stock |
| The FREEDOM Group, Inc. | Dec. | Insurance data processing | Cash for stock |
| 1997: | | | |
| AdminaStar Communications | Apr. | Laser print and mailing services | Cash for stock |
| Interactive Planning Systems | May | Financial processing systems | Stock for stock |
| BHC Financial, Inc. | May | Securities processing services | Stock for stock |
| Florida Infomanagement Services, Inc. (FIS, Inc.) | Sep. | Data processing and software sales | Cash for stock |
| Stephens Inc., clearing brokerage operations | Sep. | Securities processing services | Cash for assets |
| Emerald Publications | Oct. | Financial seminars and training | Stock for stock |
| Central Service Corp. | Oct. | Data processing | Cash for stock |
| Savoy Discount Brokerage | Oct. | Securities processing services | Cash for stock |
| Hanifen, Imhoff Holdings, Inc. | Dec. | Securities processing services | Cash and stock for stock |
| 1996: | | | |
| UniFi, Inc. | Jan. | Software and services | Cash for stock |
| Bankers Pension Services, Inc. | Nov. | Retirement plan administrators | Stock for stock |

</TABLE>

Generally, the acquisitions were accounted for as purchases and, accordingly, the operations of the acquired companies are included in the consolidated financial statements since their respective dates of acquisition as set forth above. Pro forma information for acquisitions accounted for as purchases is not presented as the impact was not material. Certain of the acquisitions were accounted for as poolings of interests. Except for the 1997 acquisition of BHC Financial, Inc. (BHC), prior year financial statements were not restated because the aggregate effect was not material.



In connection with certain acquisitions consummated in 1998, the Company issued approximately 490,000 unregistered shares of its common stock. The Company relied upon the exemption provided in Section 4(2) of the Securities Act of 1933 and Rule 505 of Regulation D, based upon the number of shareholders of the respective companies and the aggregate value of the transactions. No underwriter was involved in the transactions and no commission was paid.

Stock Option Plan

The Company's Stock Option Plan provides for the granting to its employees and directors of either incentive or non-qualified options to purchase shares of the Company's common stock for a price not less than 100% of the fair value of the shares at the date of grant. In general, 20% of the shares awarded under the Plan may be purchased annually and expire, generally, 10 years from the date of the award. Activity under the current and prior plans during 1996, 1997 and 1998, adjusted for a three-for-two stock split effective May 29, 1998, is summarized as follows:

<TABLE>
<CAPTION>

| | Shares | | Weighted |
|---|---|---|---|
| | | Non- | Average |

| | Incentive | Qualified | Price Range | Exercise Price |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Outstanding, December 31, 1995 | 30,420 | 3,574,770 | $ 1.09 - 18.33 | $11.25 |
| Granted | | 926,031 | 17.67 - 24.50 | 19.63 |
| Forfeited | | (133,720) | 7.65 - 20.33 | 13.41 |
| Exercised | (27,885) | (464,966) | 1.09 - 20.33 | 10.37 |
| Outstanding, December 31, 1996 | 2,535 | 3,902,115 | 3.85 - 24.50 | 13.26 |
| Assumed from BHC | | 843,426 | 4.87 - 21.00 | 11.83 |
| Granted | | 1,034,104 | 24.00 - 32.67 | 25.32 |
| Forfeited | | (76,551) | 4.14 - 24.00 | 19.17 |
| Exercised | (2,535) | (960,547) | 3.85 - 24.00 | 13.05 |
| Outstanding, December 31, 1997 | 0 | 4,742,547 | 4.14 - 32.67 | 15.57 |
| Granted | | 1,784,803 | 32.75 - 47.38 | 36.23 |
| Forfeited | | (98,020) | 6.76 - 36.00 | 29.22 |
| Exercised | | (791,415) | 4.14 - 36.00 | 12.64 |
| Outstanding, December 31, 1998 | 0 | 5,637,915 | 4.14 - 47.38 | 21.85 |
| Shares exercisable, December 31, 1998 | 0 | 3,562,594 | | |

</TABLE>

Options outstanding include 87,000 and 223,000 shares granted in January 1997 and 1998 at $24.29 and $32.75 per share, respectively, under a stock purchase plan requiring exercise within 30 days after a two-year period beginning on the date of grant.

At December 31, 1998, options to purchase 2,570,000 shares were available for grant under the Plan. The Company has accounted for its stock-based compensation plans in accordance with the provisions of APB Opinion 25. Accordingly, the Company did not record any compensation expense in the accompanying financial statements for its stock-based compensation plans. Had compensation expense been recognized consistent with Statement of Financial Accounting Standards (SFAS) No.123, "Accounting for Stock-Based Compensation", the Company's net income would have been reduced by approximately $3,700,000, $2,200,000 and $981,000 in 1998, 1997 and 1996, respectively. Earnings per share-diluted would have been reduced by $.04, $.03 and $.01 in 1998, 1997 and 1996, respectively. The assumptions used to estimate compensation expense for 1998 were: expected volatility of 18.3%, risk-free interest rate of 4.6% and expected option lives of five years.

Shareholder Rights Plan

On February 23, 1998 the Company adopted a Shareholder Rights Plan (the Plan). Under the Plan, the shareholders of record as of March 9, 1998 were granted a dividend of one preferred stock purchase right for each outstanding share of Company common stock. The stock purchase rights are not exercisable until certain events occur. The Company filed a Form 8-K with the Securities and Exchange Commission on February 24, 1998 which provides a full description of the Plan.



[Note 3] Long-Term Debt

The Company has available a $330,000,000 unsecured line of credit and commercial paper facility with a group of banks, of which $248,000,000 was in use at December 31, 1998 at an average rate of 5.73%. The loan agreements covering the Company's long-term borrowings contain certain restrictive covenants including, among other things, the maintenance of minimum net worth and various operating ratios with which the Company was in compliance at December 31, 1998. A facility fee ranging from 0.1% to 0.2% per annum is required on the entire bank line regardless of usage. The facility is reduced to $150,000,000, on May 17, 1999 and expires on May 17, 2000. The Company plans to refinance the bank facility prior to May 17, 1999.

During 1998, the Company entered into interest rate swap agreements to fix the interest rate on certain floating rate debt at an average rate approximating 5.75% (based on current bank fees) for a principal amount of $200,000,000 with a remaining life of five to seven years.

Long-term debt outstanding at the respective year-ends comprised the following:

<TABLE>
<CAPTION>

| (in thousands)<br>December 31, | 1998 | 1997 |
|---|---|---|
| <S> | <C> | <C> |
| 9.45% senior notes payable, due 1999-2000 | $ 8,571 | $ 12,857 |
| 9.75% senior notes payable, due 1999-2001 | 7,500 | 10,000 |
| 8.00% senior notes payable, due 1999-2005 | 90,000 | 90,000 |
| Bank notes and | | |

| | | |
|---|---|---|
| commercial paper | 279,641 | 136,585 |
| Other obligations | 3,910 | 2,589 |
| | -------- | -------- |
| Total | $389,622 | $252,031 |
| | ======== | ======== |

</TABLE>

Annual principal payments required under the terms of the long-term agreements were as follows at December 31, 1998:

<TABLE>
<CAPTION>

| (in thousands) Year | |
|---|---|
| <S> | <C> |
| 1999 | $131,786 |
| 2000 | 186,215 |
| 2001 | 16,811 |
| 2002 | 13,857 |
| 2003 | 13,857 |
| Thereafter | 27,096 |
| | -------- |
| Total | $389,622 |
| | ======== |

</TABLE>

Interest expense with respect to long-term debt amounted to $21,330,000, $16,964,000 and $22,431,000 in 1998, 1997 and 1996, respectively.

[Note 4] Income Taxes

A reconciliation of recorded income tax expense with income tax computed at the statutory federal tax rates is as follows:

<TABLE>
<CAPTION>

| (in thousands) | 1998 | 1997 | 1996 |
|---|---|---|---|
| | ------- | ------- | ------- |
| <S> | <C> | <C> | <C> |
| Statutory federal tax rate | 35% | 35% | 35% |
| Tax computed at statutory rate | $67,789 | $53,865 | $47,062 |
| State income taxes - net of federal effect | 7,601 | 5,995 | 5,093 |
| Non-deductible amortization | 2,737 | 1,408 | 1,504 |
| Other | 1,283 | 1,831 | 1,095 |
| | ------- | ------- | ------- |
| Total | $79,410 | $63,099 | $54,754 |
| | ======= | ======= | ======= |

</TABLE>

The provision for income taxes consisted of the following:

<TABLE>
<CAPTION>

| (in thousands) | 1998 | 1997 | 1996 |
|---|---|---|---|
| | ------- | ------- | ------- |
| <S> | <C> | <C> | <C> |
| Currently payable | $68,947 | $53,865 | $50,068 |
| Tax reduction credited to additional paid-in capital | 8,000 | 5,000 | 2,000 |
| Deferred | 2,463 | 4,234 | 2,686 |
| | ------- | ------- | ------- |
| Total | $79,410 | $63,099 | $54,754 |
| | ======= | ======= | ======= |

</TABLE>



The approximate tax effects of temporary differences at December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

| (in thousands) | 1998 | 1997 |
|---|---|---|
| | -------- | -------- |
| <S> | <C> | <C> |
| Purchased incomplete software technology | $ 52,276 | $ 56,888 |
| Accrued expenses not currently deductible | 25,329 | 18,862 |
| Deferred revenues | 14,558 | 8,688 |
| Other | (5,512) | (1,789) |
| Internally generated capitalized software | (35,188) | (29,999) |
| Excess of tax over book depreciation and amortization | (9,167) | (5,992) |

| | | |
|---|---|---|
| Unrealized gain on investments | (27,751) | (11,425) |
| Total | $ 14,545 | $ 35,233 |

</TABLE>

[Note 5] Employee Benefit Programs

The Company and its subsidiaries have contributory savings plans covering substantially all employees, under which eligible participants may elect to contribute a specified percentage of their salaries, subject to certain limitations. The Company makes matching contributions, subject to certain limitations, and also makes discretionary contributions based upon the attainment of certain profit goals. Company contributions vest at the rate of 20% for each year of service. Contributions charged to operations under these plans approximated $16,948,000, $14,383,000 and $10,074,000 in 1998, 1997 and 1996, respectively.

[Note 6] Leases, Other Commitments and Contingencies

Leases
Future minimum rental payments, as of December 31, 1998, on various operating leases for office facilities and equipment were due as follows:

<TABLE>
<CAPTION>
(in thousands)

| Year | |
|---|---|
| 1999 | $ 56,547 |
| 2000 | 48,102 |
| 2001 | 35,721 |
| 2002 | 28,019 |
| 2003 | 20,598 |
| Thereafter | 33,554 |
| Total | $222,541 |

</TABLE>

Rent expense applicable to all operating leases was approximately $72,172,000, $55,515,000 and $52,638,000 in 1998, 1997 and 1996, respectively.

Other Commitments and Contingencies
The Company's trust administration subsidiaries had fiduciary responsibility for the administration of approximately $22 billion in trust funds as of December 31, 1998. With the exception of the trust account investments discussed in Note 1, such amounts are not included in the accompanying balance sheets.

The Company's securities processing subsidiaries are subject to the Uniform Net Capital Rule of the Securities and Exchange Commission. At December 31, 1998, the aggregate net capital of such subsidiaries was $135,584,000, exceeding the net capital requirement by $118,744,000.

In the normal course of business, the Company and its subsidiaries are named as defendants in various lawsuits in which claims are asserted against the Company. 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 the financial statements of the Company.



[Note 7] Business Segment Information

The Company is a leading independent provider of financial data processing systems and related information management services and products to financial institutions and other financial intermediaries. In accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" the Company's operations have been classified into three business segments: financial institution data processing and software services, securities processing and trust services and other (including corporate). Summarized financial information by business segment for each of the three years in the period ended December 31, 1998 is as follows:

<TABLE>
<CAPTION>
(in thousands)

| Year ended December 31, | 1998 | 1997 | 1996 |
|---|---|---|---|
| Revenues: | | | |
| Financial institution data processing and software services | $ 951,010 | $ 753,209 | $ 696,827 |
| Securities processing and trust services | 234,699 | 179,217 | 157,976 |
| Other | 47,961 | 42,006 | 24,646 |

| | | | |
|---|---|---|---|
| Total | $1,233,670 | $ 974,432 | $ 879,449 |
| Operating income: | | | |
| Financial institution data processing and software services | $ 148,774 | $ 117,467 | $ 101,240 |
| Securities processing and trust services | 70,074 | 51,770 | 51,431 |
| Other | (9,209) | (3,460) | 879 |
| Total | $ 209,639 | $ 165,777 | $ 153,550 |
| Identifiable assets: | | | |
| Financial institution data processing and software services | $1,049,741 | $ 798,237 | $ 775,976 |
| Securities processing and trust services | 2,790,318 | 2,753,523 | 1,871,858 |
| Other | 118,279 | 84,731 | 51,145 |
| Total | $3,958,338 | $3,636,491 | $2,698,979 |
| Depreciation expense: | | | |
| Financial institution data processing and software services | $ 46,880 | $ 38,098 | $ 35,876 |
| Securities processing and trust services | 8,631 | 7,285 | 6,817 |
| Other | 5,186 | 3,736 | 1,427 |
| Total | $ 60,697 | $ 49,119 | $ 44,120 |
| Capital expenditures: | | | |
| Financial institution data processing and software services | $ 60,075 | $28,627 | $ 28,541 |
| Securities processing and trust services | 11,255 | 6,667 | 6,627 |
| Other | 6,212 | 4,471 | 4,282 |
| Total | $ 77,542 | $ 39,765 | $ 39,450 |

</TABLE>



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth, for the periods indicated, the relative percentage which certain items in the Company's consolidated statements of income bear to revenues and the percentage change in those items from period to period.

<TABLE>
<CAPTION>

| | Percentage of Revenues Year Ended December 31, | | | Period to Period Percentage Increase (Decrease) | |
|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1998 vs. 1997 | 1997 vs. 1996 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Revenues | 100.0% | 100.0% | 100.0% | 26.6% | 10.8% |
| Cost of revenues: | | | | | |
| Salaries, commissions and payroll related costs | 46.4 | 46.7 | 44.9 | 26.0 | 15.2 |
| Data processing expenses, rentals and telecommunication costs | 9.7 | 10.3 | 11.1 | 18.5 | 2.9 |
| Other operating costs | 21.0 | 19.5 | 18.6 | 36.4 | 15.8 |
| Depreciation and amortization of property and equipment | 4.9 | 5.0 | 5.0 | 23.6 | 11.3 |
| Amortization of intangible assets | 1.3 | 1.5 | 2.4 | 12.0 | (34.2) |
| (Capitalization) amortization of internally generated computer software--net | (0.3) | | 0.4 | | |
| Total cost of revenues | 83.0 | 83.0 | 82.4 | 26.6 | 11.4 |
| Operating income | 17.0% | 17.0% | 17.6% | 26.5 | 8.0 |
| Income before income taxes | 15.7% | 15.8% | 15.3% | 25.9 | 14.5 |
| Net income | 9.3% | 9.3% | 9.1% | 25.9 | 13.9 |

</TABLE>

Revenues increased $259,238,000 in 1998 and $94,983,000 in 1997. In 1998 and 1997, approximately 60% and 50%, respectively, of the growth resulted from the inclusion of revenues from the date of purchase of acquired businesses as set forth in Note 2 to the financial statements and the balance in each year from the net addition of new clients, growth in the transaction volume experienced by existing clients and price increases.

Cost of revenues increased $215,376,000 in 1998 and $82,756,000 in 1997. As a percentage of revenues, cost of revenues remained the same in 1997 and 1998, and increased .6% from 1996 to 1997. The make up of cost of revenues has been affected in all years by business acquisitions and by changes in the mix of the Company's business as sales of software and related support activities and securities processing operations have enjoyed an increasing percentage of total revenues.

A portion of the purchase price of the Company's acquisitions has been allocated to intangible assets, such as goodwill, computer software and client contracts, which are being amortized over time, generally three to 40 years. Amortization of these costs increased $1,687,000 from 1997 to 1998 and decreased $7,324,000 from 1996 to 1997. As a percentage of revenues, intangible amortization has decreased over the last three years due primarily to accelerated amortization in 1997 and 1996 for completed software acquired in the acquisition of Information Technology, Inc. in 1995.

Capitalization of internally generated computer software is stated net of amortization and increased $3,974,000 in 1998 and $3,696,000 in 1997. Net internally generated software capitalized increased in 1998 as both 1997 and 1996 included accelerated amortization of software resulting from the planned consolidation of certain product lines.



Operating income increased $43,862,000 in 1998 and $12,227,000 in 1997. As a percentage of revenues, operating income was substantially identical in both years.

The effective income tax rate was 41% in all three years, and the effective income tax rate for 1999 is expected to remain at 41%.

The Company's growth has been accomplished, to a significant degree, through the acquisition of businesses which are complementary to its operations.

Management believes that a number of acquisition candidates are available which would further enhance its competitive position and plans to pursue them vigorously. Management is engaged in an ongoing program to reduce expenses related to acquisitions by eliminating operating redundancies. The Company's approach has been to move slowly in achieving this goal in order to minimize the amount of disruption experienced by its clients and the potential loss of clients due to this program.

The following supplemental schedule presents the results of operations of the Company for the periods presented as originally reported before restatement of 1996 for BHC Financial, Inc.

<TABLE>
<CAPTION>
(In thousands, except per share data)

| Year ended December 31, | 1998 | 1997 | 1996 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Revenues | $1,233,670 | $974,432 | $798,268 |
| Cost of Revenues: | | | |
| Salaries, commissions and payroll related costs | 573,187 | 454,850 | 371,526 |
| Data processing expenses, rentals and telecommunication costs | 119,205 | 100,601 | 90,919 |
| Other operating expenses | 259,126 | 189,982 | 145,230 |
| Depreciation and amortization of property and equipment | 60,697 | 49,119 | 42,241 |
| Amortization of intangible assets | 15,754 | 14,067 | 20,983 |
| (Capitalization) amortization of internally generated computer software -- net | (3,938) | 36 | 3,732 |
| Total | 1,024,031 | 808,655 | 674,631 |
| Operating Income | 209,639 | 165,777 | 123,637 |
| Interest expense -- net | 15,955 | 11,878 | 19,088 |
| Income Before Income Taxes | 193,684 | 153,899 | 104,549 |
| Income tax provision | 79,410 | 63,099 | 42,865 |
| Net Income | $ 114,274 | $ 90,800 | $ 61,684 |
| Net income per common share: | | | |
| Diluted | $ 1.35 | $ 1.13 | $ 0.89 |
| Shares used in computing net income per share: | | | |
| Diluted | 84,769 | 80,292 | 69,297 |

</TABLE>

YEAR 2000 SYSTEMS EVALUATION

The Company provides data processing and other related services to financial institutions of all kinds. Failure by the Company in making its proprietary software systems Year 2000 compliant would have a material adverse effect on its business. The Company believes, however, that its remediation process started in 1996 will be successful and anticipates no material processing problems.

The Company has completed its assessment of its proprietary systems and has largely completed upgrading and revising the software it will continue to use in providing service to its clients. The Company anticipates that all of its proprietary systems will be completely upgraded to Year 2000 compliance, tested (including client testing) and implemented by March 31, 1999. The Company's contingency plans provide for a variety of actions in the event that a business unit has not progressed sufficiently to meet its remediation goals, including adding necessary resources, and/or migration of clients to other Company software that is Year 2000 compliant. The Company does not anticipate the need for these contingency plans based on the current system remediation status. Testing and implementation of the remaining non-mission critical systems, which are not material to the Company's business, are expected to be completed by mid-1999.

The Company has received Year 2000 disclosures prepared by its principal vendors indicating that they will be Year 2000 compliant in all material respects. The Company's contingency plans include actions required should any vendor experience Year 2000-related problems. In addition, the Company has no reason to believe that its clients will not be Year 2000 compliant in all material respects, and in many cases has assisted its clients in their Year 2000 efforts.

The Company believes that it has and will continue to meet its Year 2000 compliance commitments using existing resources, without incurring significant incremental expenses. Although the Company does not maintain accounting records that separately identify all of the costs associated with its Year 2000 activities, it has estimated that commencing with 1996 such costs have approximated $15 million a year. Estimated cost for the year 1999 when the project is scheduled for completion is approximately $10 to $12 million.

The disclosure set forth above contains forward-looking statements. Specifically, such statements are contained in sentences including the words "expect" or "anticipate" or "could" or "should". Such forward-looking statements are subject to inherent risks and uncertainties that may cause actual results to differ materially from those contemplated by such forward-looking statements. The factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include the failure by third parties to adequately remediate Year 2000 issues or the inability of the Company to complete writing and/or testing software changes on the time schedules currently expected. Nevertheless, the Company expects that its Year 2000 compliance efforts will be successful without any adverse effects on its business.



Liquidity and Capital Resources

The following table summarizes the Company's primary sources of funds:

<TABLE>
<CAPTION>

| (In thousands)<br>Year ended December 31, | 1998 | 1997 | 1996 |
|---|---|---|---|
| Cash provided by operating activities before changes in securities processing receivables and payables--net | $242,736 | $175,506 | $ 173,774 |
| Securities processing receivables and payables--net | 7,080 | (5,948) | (3,660) |
| Cash provided by operating activities | 249,816 | 169,558 | 170,114 |
| (Purchases) issuance of common stock--net | (37,389) | 10,040 | 4,896 |
| (Increase) decrease in investments | (14,747) | (55,625) | 16,831 |
| Increase (decrease) in net borrowings | 79,835 | (31,096) | (119,640) |
| Total | $277,515 | $ 92,877 | $ 72,201 |

</TABLE>

The Company has applied a significant portion of its cash flow from operations to acquisitions and capital expenditures with any remainder in 1997 and 1996 applied to the reduction of long-term debt.

The Company believes that its cash flow from operations together with other available sources of funds will be adequate to meet its funding requirements. In the event that the Company makes significant future acquisitions, however, it may raise funds through additional borrowings or issuance of securities.

Selected Financial Data

The following data, which has been materially affected by acquisitions, should be read in conjunction with the financial statements and related notes thereto included elsewhere in this Annual Report.

<TABLE>
<CAPTION>

| (In thousands, except per share data) Year ended December 31, | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Revenues | $1,233,670 | $ 974,432 | $ 879,449 | $ 769,104 | $ 635,297 |
| Income (loss) before income taxes | 193,684 | 153,899 | 134,462 | (76,146) | 84,098 |
| Income taxes (credit) | 79,410 | 63,099 | 54,754 | (30,220) | 33,067 |
| Net income (loss) | 114,274 | 90,800 | 79,708 | (45,926) | 51,031 |
| Net income (loss) per share: | | | | | |
| Basic | $1.40 | $1.16 | $1.04 | $(0.62) | $0.73 |
| Diluted | $1.35 | $1.13 | $1.02 | $(0.62) | $0.72 |
| As originally reported--Diluted | $1.35 | $1.13 | $0.89 | $0.75 | $0.63 |
| Total assets | $3,958,338 | $3,636,491 | $2,698,979 | $2,514,597 | $2,204,832 |
| Long-term debt | 389,622 | 252,031 | 272,864 | 383,416 | 150,599 |
| Shareholders' equity | 885,797 | 769,255 | 605,898 | 514,866 | 425,389 |

</TABLE>

Note: The above information has been restated to recognize (1) a three-for-two stock split effective in May 1998 and (2) the acquisitions of Lincoln Holdings, Inc. in 1995 and of BHC Financial, Inc. in 1997 accounted for as poolings of interests. The net income (loss) per share as originally reported is before restatements due to poolings of interests and excludes the one-time after-tax charges of $1.66 per share related to the acquisition of Information Technology, Inc. in 1995.



QUARTERLY FINANCIAL INFORMATION
(Unaudited)

<TABLE>
<CAPTION>

| (In thousands, except per share data) | Quarters | | | | |
|---|---|---|---|---|---|
| 1998 | First | Second | Third | Fourth | Total |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Revenues | $273,829 | $311,220 | $309,543 | $339,078 | $1,233,670 |
| Cost of revenues | 224,445 | 258,398 | 256,609 | 284,579 | 1,024,031 |
| Operating income | 49,384 | 52,822 | 52,934 | 54,499 | 209,639 |
| Income before income taxes | 46,017 | 48,594 | 48,936 | 50,137 | 193,684 |
| Income taxes | 18,867 | 19,924 | 20,063 | 20,556 | 79,410 |
| Net income | $ 27,150 | $ 28,670 | $ 28,873 | $ 29,581 | $ 114,274 |
| Net income per share: | | | | | |
| Basic | $ 0.34 | $ 0.34 | $ 0.35 | $ 0.36 | $ 1.40 |
| Diluted | $ 0.33 | $ 0.33 | $ 0.34 | $ 0.35 | $ 1.35 |
| 1997 | | | | | |
| Revenues | $228,319 | $238,386 | $238,255 | $269,472 | $ 974,432 |
| Cost of revenues | 186,522 | 199,748 | 196,252 | 226,133 | 808,655 |
| Operating income | 41,797 | 38,638 | 42,003 | 43,339 | 165,777 |
| Income before income taxes | 38,310 | 35,297 | 39,302 | 40,990 | 153,899 |
| Income taxes | 15,707 | 14,472 | 16,114 | 16,806 | 63,099 |
| Net income | $ 22,603 | $ 20,825 | $ 23,188 | $ 24,184 | $ 90,800 |
| Net income per share: | | | | | |
| Basic | $ 0.29 | $ 0.27 | $ 0.30 | $ 0.31 | $ 1.16 |
| Diluted | $ 0.29 | $ 0.26 | $ 0.29 | $ 0.30 | $ 1.13 |

</TABLE>

Market Price Information

The following information relates to the closing price of the Company's $.01 par value common stock, which is traded on the Nasdaq National Market tier of the Nasdaq Stock Market under the symbol FISV. Information for quarters ended March

31, 1998 and prior has been adjusted (to the nearest 1/32) to recognize a three-for-two stock split effective May 29, 1998.

<TABLE>
<CAPTION>

| Quarter Ended | 1998 High | 1998 Low | 1997 High | 1997 Low |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| March 31 | 42 1/4 | 31 | 26 | 21 13/16 |
| June 30 | 44 29/32 | 38 | 29 3/4 | 24 1/2 |
| September 30 | 49 | 39 | 33 | 29 1/4 |
| December 31 | 53 1/8 | 38 1/4 | 33 13/32 | 26 1/2 |

</TABLE>

At December 31, 1998, the Company's common stock was held by 2,534 shareholders of record. It is estimated that an additional 28,000 shareholders own the Company's stock through nominee or street name accounts with brokers. The closing sale price for the Company's stock on January 19, 1999 was $51.625 per share.

The Company's present policy is to retain earnings to support future business opportunities, rather than to pay dividends.



MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The management of Fiserv, Inc. assumes responsibility for the integrity and objectivity of the information appearing in the 1998 Annual Report. This information was prepared in conformity with generally accepted accounting principles and necessarily reflects the best estimates and judgment of management.

To provide reasonable assurance that transactions authorized by management are recorded and reported properly and that assets are safeguarded, the Company maintains a system of internal controls. The concept of reasonable assurance implies that the cost of such a system is weighed against the benefits to be derived therefrom.

Deloitte & Touche LLP, certified public accountants, audit the financial statements of the Company in accordance with generally accepted auditing standards. Their audit includes a review of the internal control system, and improvements are made to the system based upon their recommendations.

The Audit Committee ensures that management and the independent auditors are properly discharging their financial reporting responsibilities. In performing this function, the Committee meets with management and the independent auditors throughout the year. Additional access to the Committee is provided to Deloitte & Touche LLP on an unrestricted basis, allowing discussion of audit results and opinions on the adequacy of internal accounting controls and the quality of financial reporting.

/s/ George D. Dalton
- ---------------------------------------
George D. Dalton
Chairman and Chief Executive Officer



INDEPENDENT AUDITORS' REPORT

Shareholders and Directors of Fiserv, Inc.

We have audited the accompanying consolidated balance sheets of Fiserv, Inc. and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of BHC Financial, Inc. and subsidiaries for the year ended December 31, 1996 which statements reflect total revenues of $81,181,000 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for BHC Financial, Inc. and subsidiaries for such period, is based solely on the report of such other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Fiserv, Inc. and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP
- --------------------------
Deloitte & Touche LLP
Milwaukee, Wisconsin
January 29, 1999

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

| Name under which Subsidiary does Business | State (Country) of Incorporation |
| --- | --- |
| Aspen Investment Alliance, Inc. | Colorado |
| BMS On-Line, Inc. | Massachusetts |
| Data-Link Systems, LLC | Wisconsin |
| FIserv CIR, Inc. | Delaware |
| FIserv Federal Systems, Inc. | Delaware |
| FIserv Fresno, Inc. | California |
| FIserv Government Services, Inc. | Delaware |
| FIserv Joint Venture, Inc. | Delaware |
| Fiserv Solutions, Inc. | Wisconsin |
| FIserv (Europe) Ltd. | United Kingdom |
| FIserv (ASPAC) Pte., Ltd. | Singapore |
| Fiserv Australia Pty Limited | Australia |
| Pt Fiserv Indonesia | Indonesia |
| First Retirement Marketing, Inc. | Colorado |
| First Trust Corporation | Colorado |
| Information Technology, Inc. | Nebraska |
| Lincoln Trust Company | Colorado |
| The Affinity Group, Inc. | Colorado |
| Fiserv Solutions of Canada Inc. | Ontario |
| Fiserv Clearing, Inc. | Delaware |
| BHC Investments, Inc. | Delaware |
| BHC Trading Corporation | Delaware |
| NetVest, Inc. | Delaware |
| BHC Securities, Inc. | Delaware |
| TradeStar Investments, Inc. | Delaware |
| Fiserv Investor Services, Inc. | Delaware |
| BHCM Insurance Agency, Inc. | Delaware |
| F.T. Agency, Inc. | Ohio |
| Tower Agency, Inc. | Ohio |
| Fiserv Insurance Agency of Alabama, Inc. | Alabama |
| Fiserv Correspondent Services, Inc. | Colorado |
| Investment Consulting Group, Inc. | Colorado |
| FCS Funding, Inc. | Colorado |
| WUB2 Management Company | Colorado |
| WUB3 Capital Management, Inc. | Colorado |
| WUB4 Capital Partners, LLP | Colorado |
| Life Instructors, Inc. | New Jersey |
| RK & DR Concepts, Inc. | Utah |
| New Benchmark Computer Systems, Inc. | Utah |
| Fiserv LeMans, Inc. | Pennsylvania |
| Specialty Insurance Service | California |
| The Freedom Group, Inc. | Iowa |
| LeMans International, Inc. | Pennsylvania |
| Specialty Software Service, Inc. | California |
| Fiserv Mercosur, Inc. | Delaware |
| Fiserv International (Barbados) Limited | Barbados |

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-64353, 333-04417, 333-28113, 333-28115, 333-28117, 333-28119 and 333-28121 of Fiserv, Inc. on Form S-8; Registration Statement Nos. 333-44935 and 333-47199 on Form S-4; and Registration Statement Nos. 333-55909, 333-49615, 333-45841, 333-00913, 333-23581 and 333-31465 on Form S-3 of our reports dated January 29, 1999, appearing in and incorporated by reference in the Annual Report on Form 10-K of Fiserv, Inc. for the year ended December 31, 1998.

/s/ DELOITTE & TOUCHE LLP
- -------------------------

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin
February 18, 1999

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 1998 ANNUAL REPORT TO SHAREHOLDERS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH INFORMATION.
</LEGEND>
<MULTIPLIER> 1,000

| <S> | <C> |
|---|---|
| <PERIOD-TYPE> | YEAR |
| <FISCAL-YEAR-END> | DEC-31-1998 |
| <PERIOD-END> | DEC-31-1998 |
| <CASH> | 71,558 |
| <SECURITIES> | 1,098,773 |
| <RECEIVABLES> | 246,851 |
| <ALLOWANCES> | 0 |
| <INVENTORY> | 0 |
| <CURRENT-ASSETS> | 2,903,285 |
| <PP&E> | 464,865 |
| <DEPRECIATION> | 285,431 |
| <TOTAL-ASSETS> | 3,958,338 |
| <CURRENT-LIABILITIES> | 2,682,919 |
| <BONDS> | 0 |
| <PREFERRED-MANDATORY> | 0 |
| <PREFERRED> | 0 |
| <COMMON> | 833 |
| <OTHER-SE> | 884,964 |
| <TOTAL-LIABILITY-AND-EQUITY> | 3,958,338 |
| <SALES> | 0 |
| <TOTAL-REVENUES> | 1,233,670 |
| <CGS> | 0 |
| <TOTAL-COSTS> | 1,012,215 |
| <OTHER-EXPENSES> | 11,816 |
| <LOSS-PROVISION> | 0 |
| <INTEREST-EXPENSE> | 15,955 |
| <INCOME-PRETAX> | 193,684 |
| <INCOME-TAX> | 79,410 |
| <INCOME-CONTINUING> | 114,274 |
| <DISCONTINUED> | 0 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | 114,274 |
| <EPS-PRIMARY> | 1.40 |
| <EPS-DILUTED> | 1.35 |

</TABLE>

EXHIBIT 99.1

# REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and
Board of Directors of
BHC Financial, Inc.:

We have audited the consolidated statement of financial condition of BHC Financial, Inc. and Subsidiaries as of December 31, 1996 and the related consolidated statement of income, stockholders' equity and cash flows for the year ended December 31, 1996 and the related financial statement schedules, not separately presented herein. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and the related financial statement schedules referred to above present fairly, in all material respects, the financial position of BHC Financial, Inc. and Subsidiaries as of December 31, 1996 and the results of their operations and their cash flows for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP
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Coopers & Lybrand L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
February 14, 1997, except for note 12
as to which the date is March 3, 1997