# *Strong*
# Connection »

2004 ANNUAL REPORT

# *Strong* Connection »

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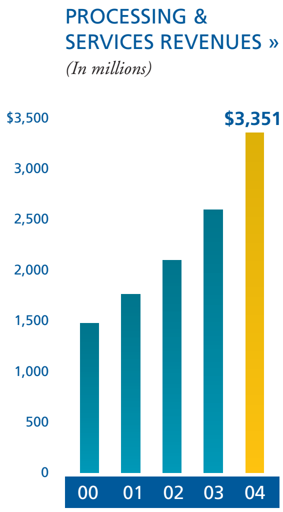
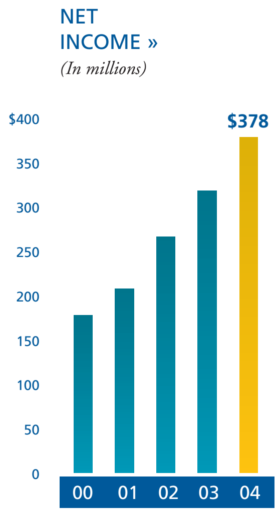
ABOUT THE COVER »

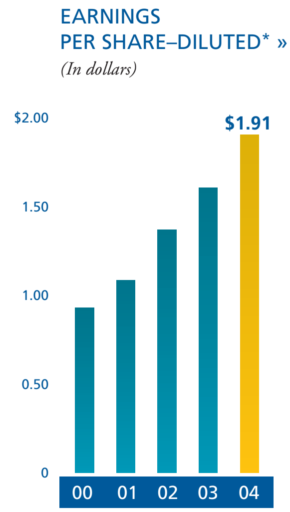
The strong connection Fiserv has to its clients revolves around our people. Our core values of *The Client Comes First* and *People Make the Difference* are the foundation of our commitment to service excellence. Representing the nearly 22,000 Fiserv employees who provide exceptional client service every day for every client are, from left, Tony Catalfano, President and Chief Operating Officer of Fiserv EFT; Mark Sievewright, Corporate Senior Vice President, Market Development; and Teri Carstensen, President IP Operations, Western Region.

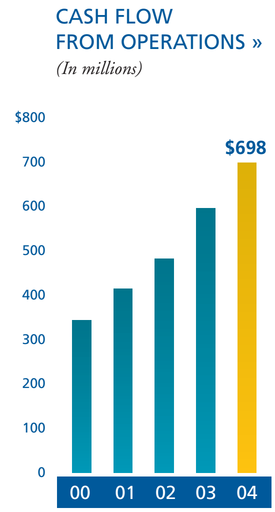
# *Financial* Highlights »

| *(Dollars in millions except per share amounts and stock price data.)* | 2004 | 2003 | % Change |
|---|---|---|---|
| Processing and services revenues | $3,350.6 | $2,592.1 | 29 |
| Net income | $ 377.6 | $ 315.0 | 20 |
| Diluted earnings per share | $ 1.91 | $ 1.61 | 19 |
| Cash flow from operations | $ 698.4 | $ 595.7 | 17 |
| Year-end market price per share | $ 40.19 | $ 39.54 | 2 |




* *Figures adjusted to recognize a 3-for-2 stock split in 2001.*

# *Fiserv at a Glance* » A strong connection through information management technology, systems and services

FINANCIAL INSTITUTION SERVICES »

**Six of the Fiserv Business Groups specialize in outsourcing, systems and services tailored to the needs of financial institutions.**

### Clients

Banks, savings institutions, credit unions, insurance companies and agents, leasing companies and mortgage lenders

### Market Reach

Client relationships with more than 9,400 financial institutions and 2,900 insurance companies

- 295 million customer deposit, loan and lease accounts processed annually
- 5.5 billion electronic/ATM/POS transactions processed annually
- 3.7 billion checks processed annually
- 4 billion images archived

### Bank Systems

In-house and outsourced core processing for banks and thrifts, including cash and treasury management solutions, risk management, imaging solutions, customer contact solutions and data warehousing

### Bank Servicing

Outsourced (service bureau) core processing systems, EFT processing, credit processing services and value-added solutions for banks and thrifts

### Item Processing

Complete solution for the item and image processing needs of financial institutions, providing resources and technology for processing and automating paper-based payment transactions

### Credit Union & Industry Products

Core account processing and value-added solutions for credit unions, plastic card production and services, high-volume laser printing and mailing, electronic document distribution and archival

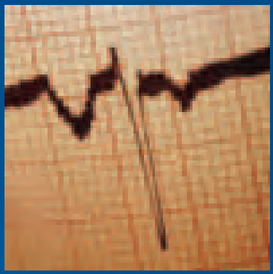
### Lending Solutions

Outsourced and licensed software and services for the lending industry, including mortgage loan servicing, automated property valuation, loan and lease portfolio management for the auto finance market, loan settlement support and contact center services

### Insurance Solutions

Comprehensive insurance processing services and products, emphasizing business process outsourcing for the life, annuity and property and casualty sectors

***Fiserv provides technology solutions to the financial industry. Our software, systems and services are used by more than 16,000 clients worldwide to process transactions, automate business operations and manage information. The eight Business Groups that comprise our three reporting segments specialize in solutions for many financial industry sectors, delivering the technology and support our clients need to compete and flourish in today's challenging marketplace.***



## HEALTH PLAN MANAGEMENT SERVICES »

**Outsourced services for self-funded and other medical, dental, vision and disability plans, including health plan administration, care and disease management, and pharmacy benefit management.**

### Clients
Self-insured commercial and government employers, health insurance companies, health maintenance organizations and pharmacies

### Market Reach
- $6.6 billion in claims paid annually
- More than 32 million claims processed annually
- More than 1,700 client relationships

## INVESTMENT SUPPORT SERVICES »

**Outsourced services for individual and business retirement plans, trustee, custodial and recordkeeping, back-office investment support and tax reporting.**

### Clients
Individual investors, small businesses and corporations, and industry professionals

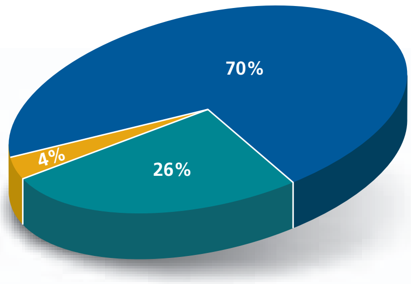
### Market Reach
- $35 billion in retirement trust assets under administration
- More than 320,000 self-directed retirement and custodial accounts serviced annually

## 2004 ACQUISITIONS »

**The four companies Fiserv acquired in 2004 are listed below, along with the Business Group they joined. These acquisitions in fast-growing areas of our business further our goal to be the single-source technology services provider to our clients.**

| Company | Business Group |
|---|---|
| RegEd, Inc. | Insurance Solutions |
| Pharmacy Fulfillment, Inc. | Health Plan Management |
| Results International Systems, Inc. | Insurance Solutions |
| CheckAGAIN, LLC | Item Processing |

## *2004* Processing and Services Revenues »




FINANCIAL INSTITUTION SERVICES »
Bank Systems
Bank Servicing
Item Processing
Credit Union & Industry Products
Lending Solutions
Insurance Solutions

HEALTH PLAN MANAGEMENT SERVICES »

INVESTMENT SUPPORT SERVICES »

# *To Our* Shareholders »

***Your company celebrated its 20th anniversary in 2004. This milestone recognizes two decades of steady expansion and strong performance, and even more important, sets the stage for continued growth and increased shareholder value in the years ahead.***

It is significant that our 20th anniversary is also our 20th consecutive year of record financial results, excluding a one-time charge in 1995 related to an acquisition. Revenues, earnings and operating cash flow all reached new highs in 2004. Processing and services revenues increased 29% to $3.4 billion. Net income rose 20% to $377.6 million or $1.91 per diluted share. Operating cash flow grew 17% to $698.4 million for the year.

Our ability to consistently deliver strong financial performance is the result of our proven business model. From day one, this growth-oriented model has focused on high recurring revenues, profitable organic revenue growth, strict cost controls, and a disciplined and effective acquisition strategy. But the real key to our success is our people and the strong connection they have forged with our clients and our markets.

**Profitable organic revenue growth continues to be our top priority.** Our organic growth rate was 10% in 2004, up from 5% in 2003, due primarily to the success of our health plan management segment. With technology spending in the U.S. financial services industry over $110 billion and growing, we believe there are excellent expansion opportunities for Fiserv in our largest business segment, financial services, as well as in our fast-growing health plan management business. We are well positioned to capitalize on these opportunities with our large existing client base, significant market share, industry-leading technology and all-encompassing focus on

*Donald F. Dillon, Chairman of the Board (Left)*
*Leslie M. Muma, President and Chief Executive Officer*

delivering results for our clients. Our organic revenue growth strategy has three components: client retention and satisfaction, new client sales and value-added cross sales.

Fiserv was founded on the complementary philosophies of *The Client Comes First* and *People Make the Difference.* While other companies may say this, all of us at Fiserv live it. Every Fiserv employee is accountable for delivering the solutions and service that drive client satisfaction. Our long-term client retention rate is consistently the highest in the financial services industry, underscoring the importance of service excellence to Fiserv.

In 2004, we expanded and restructured our financial institution sales force to more effectively drive both new sales and cross sales through multiple delivery channels. At the same time, industry and regulatory trends, including increased outsourcing and information technology spending, the rapid expansion of debit cards, Internet banking and ATM transactions, and the new Check 21 legislation, continue to increase the demand for our transaction processing solutions.

**The Fiserv integration initiative will assist in our organic revenue growth.** We formally began this extensive project more than two years ago, as a direct response to the need we saw across our broad client base for a complete portfolio of integrated processing technologies. Our clients want to improve customer service and increase profitability. By tightly integrating our technology platform and operating solutions, we will enable them to do just that – and much more.

The benefits from this initiative for Fiserv will include increased sales of our products to existing clients, faster new product development, greater timeliness to market, and improved efficiency, which in turn contributes to increased profit. This project is a key strategy for Fiserv in driving organic revenue growth over the long term.

**Our rapidly expanding health plan management services business leverages our established financial transaction processing expertise.** We built Fiserv Health from the ground up in just four years and it has grown very quickly, with revenues increasing 122% in 2004. The timing is right for this business, as health care costs and administrative requirements continue to increase. We started Fiserv Health by offering core solutions for the processing of medical and dental claims. We are now expanding our client relationships through value-added services that help manage the overall cost and quality of care. These services include pharmacy benefits processing, plan design, plan performance, and wellness care and disease management programs.

**Acquisitions continue to be an important part of the Fiserv growth strategy.** We completed four acquisitions in 2004 that enhance our payments, insurance and health management businesses. During the past 20 years, we have completed 129 acquisitions that have strengthened our existing businesses and enabled us to enter new, but related, business areas. We continue to seek additional acquisitions in all areas of our business.

We also are continually evaluating our existing businesses. In December 2004, we announced an agreement to sell our securities clearing business for approximately $365 million. The sale, which is expected to be completed in the first quarter of 2005, will enable us to focus more capital and resources on our financial institution, health plan administration and investment support operations.

**In 2004, we strengthened our commitment to developing our future leaders** with the creation of the Fiserv Leadership Center. We partnered with a leading university to create what we believe is a world-class management program that combines the latest academic programs with our well-established leadership principles. We are already seeing results from this program in the areas of strategic planning, consultative skills and relationship management.

In late 2004, the Board of Directors formed a Succession Committee to effect a smooth transition following the planned retirement of Les Muma in June 2006. There are many strong leaders in the Fiserv organization and in our industry, and we look forward to working with the Succession Committee in the selection process for our next CEO.

Fiserv's 20 years of growth and success can be measured in many ways. Revenues have grown from $21 million to $3.4 billion. We had 160 clients 20 years ago, compared to more than 16,000 today. We've grown from 350 employees at three locations to nearly 22,000 employees at more than 200 locations worldwide.

**Our many achievements are the result of our strong connection** – to our clients, to our employees and to our shareholders. To everyone connected to Fiserv, thank you for 20 great years. We believe the next 20 will be even better.

Leslie M. Muma
*President and Chief Executive Officer*

Donald F. Dillon
*Chairman of the Board*

*Left to Right: Leslie M. Muma, President and Chief Executive Officer;*
*Norman J. Balthasar, Senior Executive Vice President and Chief Operating Officer;*
*Kenneth R. Jensen, Senior Executive Vice President and Chief Financial Officer*

# *Strong Connection* »
# Successful Past, Bright Future

***Fiserv is a growth company – the numbers tell the story. Since going public in 1986, our revenues have increased at a compounded annual growth rate (CAGR) of 24%. Earnings per share have grown at a CAGR of 21%. Cash flow from operations has increased at a compounded annual growth rate of 23% and our stock price has appreciated at a CAGR of 21%.***

The numbers reflect our successful strategies to grow by:

- Expanding our core businesses.
- Building and retaining a strong base of industry-leading clients.
- Identifying emerging trends and client needs, and developing the technology solutions to meet them.
- Acquiring businesses that strengthen our operations by adding new solutions and expanding our presence.
- Extending our business into adjacent markets that leverage our core transaction processing competencies and offer opportunities for fast-paced growth.

While it is satisfying to look back at past achievements, the real question for every public company today is, "How are you going to build on what you've established and continue to grow?"

The following pages highlight the Fiserv commitment to profitable organic revenue growth and service excellence, and our dedication to helping our clients grow their business through our integration initiative. Together, these strategies build on our strengths and provide a strong connection to our future growth.

# *Strong Connection* » Organic Revenue Growth

***The changing market dynamics of the financial institution and health plan management businesses provide opportunities for Fiserv to leverage our transaction processing expertise into increased revenues and net income in the years ahead. Our strategy is to add new clients and expand our relationships with our 16,000-plus existing clients by providing highly integrated solutions and value-added services that enable them to achieve their business goals.***

*Left to Right: Karen Beata, Vice President, The Northern Trust Company; Joe Mikel, Vice President Relationship Management, RemitStream Solutions; Marian Brooks, Department Manager, RemitStream Solutions; Anna Quinlan, President, RemitStream Solutions; and Lee Selander, Executive Vice President, The Northern Trust Company.*

**An example of the growth potential for Fiserv is the dramatic change underway in the financial institution marketplace.** ATM and POS transactions are growing, online debit card usage is expected to double within the next two years and online bill payment transactions are expected to double in the next four years. While paper check volume is declining, the use of imaging technology is increasing. The new Check 21 legislation encourages banks to exchange checks electronically. Financial institutions need a technology infrastructure that will help them move from paper to electronic, automate the fee-based services that increase their profitability, and increase the return on their information technology (IT) investment.

**As the number-one core financial processing provider, Fiserv is well equipped to leverage our established client base into increased cross sales.** We have the most comprehensive, integrated payment solutions portfolio in the market, offering both in-house and outsourced solutions. We're the largest independent third-party check processor, with more than 10% of the North American check volume. We recently signed an agreement with three of Australia's largest banks that further expands our global reach in transaction processing. We are also the number-one provider of e-commerce solutions, with more than 3,000 Internet banking clients.

Long term, we believe Check 21 offers excellent growth opportunities for Fiserv. Our check processing centers are all image-enabled and our Fiserv clearing network allows clients to settle checks and images completely within the Fiserv system. Our national image archive and anti-fraud products are additional competitive advantages.

**In the lending area, we are delivering integrated, end-to-end solutions that cover the entire lending continuum.** Starting with lead management and moving through applications, settlement processing, closing services and loan servicing, our bundled services approach provides all of the processing support our mortgage lending and automobile loan and leasing clients need from a single source. In addition, Fiserv lending solutions enhance our clients' return on investment through improved customer service and reduced processing costs.

To step-up the pace of our organic revenue growth in banking, we combined our in-house and service bureau sales forces into one organization that can sell our complete technology portfolio. We put more "feet on the street" to drive new client sales. We strengthened our training in the areas of consultative skills and relationship building, which play to the growing trend toward outsourcing. We've aligned executive-level compensation with organic growth drivers to reinforce our commitment to this primary growth strategy.

**The Fiserv organic growth strategy is market-driven and solutions-oriented.** Together, these two competitive advantages provide a strong and growing connection to our clients and our markets.

THE NORTHERN TRUST COMPANY »

**Through RemitStream Solutions, Fiserv handles all of the corporate remittance processing for The Northern Trust Company, one of the world's leading financial institutions. The strong connection between our two companies enables the experienced managers at Northern Trust to focus on helping their large corporate clients manage the financial side of their business, while Fiserv's national reach and experience in large-scale transaction processing provides Northern Trust clients with the dedicated service and support they expect. This builds on a relationship that began in 1998 with the outsourcing of Northern Trust's check processing to Fiserv and reflects the confidence Northern Trust places in Fiserv as a true business partner.**

## *Strong Connection* » Service Excellence

**The Client Comes First. People Make the Difference.** ***These are the core values of Fiserv. While much has changed during our 20 years in business, our focus on client retention and satisfaction is stronger than ever. We listen to our clients and develop solutions that help them operate their businesses more profitably and allow them to do what they do best – serve their customers.***

*Left to Right: Eileen Muir, Account Executive, IntegraSys; Tom Reimholz, President, Abbott Laboratories Employees Credit Union; Scott Butler, President, IntegraSys; and Amy Sutter, Field Service Representative, IntegraSys.*

**Fiserv is a company that is driven by the needs of our clients.** We are continually asking ourselves, "What can we do better?" "How can we help our clients grow their business and increase their profitability?"

Every Fiserv employee is accountable for client retention and satisfaction. That's why we are so proud of our long-term client retention rate – the highest in the industry. Our clients generate a recurring revenue stream that contributes 85% of our annual revenues. This significant contribution to our top and bottom lines provides the financial stability that fuels our growth.

**For both existing and new clients, Fiserv's reputation for service excellence is a significant competitive advantage.** We currently have relationships with 91 of the top 100 banks. In 2004, we strengthened our team that focuses on development in the large financial institution market to further expand our relationships within this key group of clients and potential clients. Client satisfaction is essential among these top-tier companies, and the Fiserv focus on service excellence is fundamental to our success.

**We track client satisfaction very closely and survey our clients each year.** We ask them if they are happy with our service and what we can do better. Client satisfaction has continued to improve as we have responded to their suggestions and needs for additional products and services.

Although we are in a technology business, at Fiserv, it's always about people. The key to our success is our strong client relationships, which are created and fostered by our passion and dedication to service excellence. We recruit and retain great people throughout the company. They are the ones who connect with our clients and who initiate and maintain relationships, frequently over many years.

**The new Fiserv Leadership Center is a major component of our management development program.** It is a vital tool in our efforts to sustain the strengths of our current executive management and develop a new generation of executive leadership. This state-of-the-art learning environment is modeled after executive education centers at various businesses throughout the country.

Managers from across our organization are invited to the Leadership Center for training that focuses on strategic thinking, service excellence and general business acumen. In addition to the many benefits for Fiserv, the Leadership Center also provides benefits to our clients through enhanced consultative skills, a strong focus on relationship management, and a commitment to delivering the solutions and services that enable our clients to succeed.

**Our reputation for service excellence is a strong connection to our clients** and a continuing legacy for our executives, managers and employees across the company.

ABBOTT LABORATORIES EMPLOYEES CREDIT UNION »

**Since its formation in 1990, the Abbott Laboratories Employees Credit Union has grown to more than 30,000 members. A strong connection with Fiserv's IntegraSys business unit has helped to facilitate that growth by enabling Abbott Laboratories Employees Credit Union to provide cost-effective, leading-edge services and convenience to its members across the country. Credit union solutions provided by IntegraSys have been the operations backbone of the Abbott Laboratories Employees Credit Union from the beginning. With core data processing and value-added services from IntegraSys, Abbott Laboratories Employees Credit Union offers its members a comprehensive portfolio of services ranging from mortgages and home equity loans to Internet banking, IRAs, debit cards and online bill payment, all delivered quickly and smoothly.**

## *Strong Connection* » Fiserv Integration Initiative

***The Fiserv integration initiative will drive organic revenue growth by providing standardized technology that aligns our business units, our products and our services. It will meet the most frequently expressed need of our clients – tightly integrated solutions that can handle all aspects of their technology and back-office requirements.***

*Left to Right: Scott Collary, Vice President Retail Applications, Fifth Third Bank; John R. Tenuta, Division President, Loan Management Products, Fiserv Lending Solutions; Stewart M. Greenlee, Senior Vice President Residential Mortgage Lending, Fifth Third Bank; and Dan Brenneman, Relationship Manager, Loan Management Products, Fiserv Lending Solutions.*

**With the Fiserv integration initiative, we are undertaking a comprehensive process that touches everything we do –** our internal operations, our extensive product portfolio, our delivery of technology and our employees. Most importantly, it touches all of our clients – banks, thrifts, credit unions, insurance, investment support and health. The initiative establishes a foundation for integration in a way that has never been achieved before.

**The integration initiative responds to the increasing challenges of technology, both for Fiserv and for our clients.** The cost of maintaining technology is continually increasing, and many companies have various software platforms that do not interface, or would require significant expense to enable them to work together. At the same time, the Internet has made it easier to develop real-time solutions that can connect with each other.

**The initiative enables us to leverage our position as the largest aggregate core processor in the financial institution arena by offering our products as a totally integrated solution.** With a completely integrated system, our clients and prospects will see significant benefits, including greater customer intimacy and increased efficiency. For example, our technology enables a bank teller to see the profitability of each customer as transactions are being completed. This helps clients improve customer service at the retail level and build stronger relationships with their most profitable customers. Our clients are excited about this extensive initiative and the many ways it can benefit their business.

There are numerous benefits to Fiserv as well. The integration initiative is a key tool in cross-selling our solutions to more clients. It facilitates faster new product development, greater functionality of products and increased flexibility in responding to market changes. The initiative will also increase operating efficiency, which in turn improves profit margins. The new framework is mandatory in every business unit and for all new technology and product development.

FIFTH THIRD BANK »

**Through our UniFi PRO Mortgage and MortgageServ solutions, Fiserv provides an integrated loan origination and servicing technology package for Fifth Third Bank, one of the country's largest financial institutions with $94.5 billion in assets and more than 1,000 locations in nine states. Fiserv lending technology enables Fifth Third to apply consistent business rules to its loan decisions throughout the markets it serves. The recent addition of Fiserv's lending system builds on a long-term relationship that also includes auto financing solutions and check processing for Fifth Third's Florida operations. The strong connection between Fiserv and Fifth Third Bank helps both companies to achieve their business goals.**

With this industry backdrop, we determined that we could realize many benefits from integrating our solutions and opening up our technology. Having acquired many companies with various forms of technology, some proprietary, we saw an opportunity to bring these systems together across all of our operating areas. We began the initiative more than two years ago, developing interfaces that use a standard technology and product methodology to integrate our systems with each other and with our clients, and also allow third parties to connect.

**The integration initiative is a major commitment in both time and resources for Fiserv,** but one that we believe will pay big dividends as a strong connection to future organic revenue growth.

## *Strong Connection* » Fiserv Health

***The dramatic growth of Fiserv Health in just four years is another example of the success of the Fiserv business strategy. Health plan management services is an adjacent market that extends our core competencies of processing financial transactions into a new area with exciting growth potential.***

*Clockwise from Top: John Sickels (standing), Vice President Sales & Marketing, Wausau Benefits; Rick Smith, Vice President of Human Resources, Vail Resorts; Karyn Schulman, Account Manager, Wausau Benefits; Jennifer Law, Benefits Manager, Vail Resorts; David Forbes, Benefits Analyst, Vail Resorts; Julie Jacoby, Senior Benefits Specialist, Vail Resorts; Carol Stannard, Account Manager, Wausau Benefits; Rob Henderson, Sales Executive, Wausau Benefits; and Ann Kurronen, Director of Benefits, Vail Resorts.*

**One of the biggest challenges facing employers today is managing their continually increasing health benefit costs.** We saw this as an opportunity to build a business that combines our proven processing capabilities with value-added services to help clients administer and manage their overall health care benefit costs. The business model for Fiserv Health is the same model we have used so successfully in developing our financial institution businesses. Created through seven strategic acquisitions, Fiserv Health is building momentum at a fast pace.

**Our primary clients in this business are employers who have self-funded health plans.** The services we provide are similar to the transactions we process for our financial institution and insurance company clients. We process and pay medical, dental, pharmacy and disability claims and provide other back-office processing services. We also help our clients with plan design and financial and plan performance reporting.

satisfaction. Our value-added services include care and disease management and pharmacy benefit management. Using a member-centric model and information resources, our care and disease management services save clients money while improving the lives of their employees. Our pharmacy benefit management services help clients reduce pharmacy benefit costs through negotiated pricing, formulary design and control, and utilization management programs.

**Growth areas in health plan management include products for health insurance companies and managed care organizations.** In addition, we have a dominant and growing market share in workers' compensation pharmacy claim processing for retail pharmacies.

Fiserv differentiates itself in a market with much larger competitors through our flexibility and specialized services.

VAIL RESORTS »

**As one of the leading resort operators in North America, Vail Resorts requires a health benefit administrator and manager that is not only flexible, but resourceful and attentive as well. Vail Resorts' strong connection with Fiserv's Wausau Benefits unit resulted in the development of proprietary medical and dental PPO networks designed to meet the needs of the resorts in their many locations and highly seasonal workforce. Vail's health plan leads the hospitality industry in the level of benefits provided to new and returning seasonal workers, while keeping claim costs down through diligent plan management and timely, accurate claims administration services. Wausau Benefits also works closely with AON Consulting, Vail's benefits consultants, to help identify opportunities to generate cost savings, design custom medical management programs and deliver meaningful benefits to Vail Resorts' plan members.**

We currently serve more than 1,200 employer customers, with more than 4 million plan members, giving us a significant presence in the corporate and government self-insured plan administration business. We paid more than $6.6 billion in claims in 2004.

**The value-added services we offer are the catalyst for expanding this business.** They help us in obtaining new clients by offering a more comprehensive set of services. They also provide excellent integration opportunities for existing clients and contribute to increased client retention and

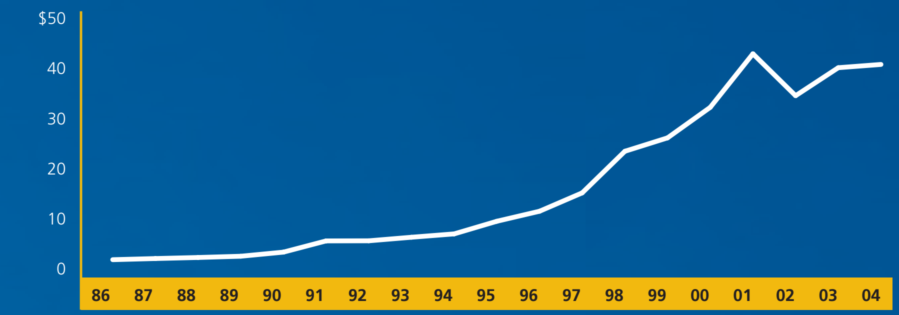
We optimize the use of more than 200 different provider network options. We specialize in complex and non-standard plan design and provide our pharmacy clients with clear and understandable pricing that helps them to better monitor and control their pharmacy benefit costs.

**The strong connection we are building with clients in the health plan management market is a strategic move** that enables Fiserv to drive growth by putting our established skill sets to work in an adjacent market.

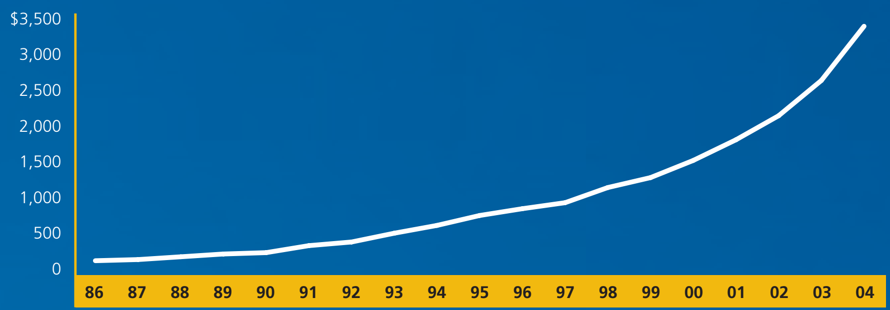
# *Financial* Report »

***In 2004, Fiserv marked another year of strong performance. Since going public in 1986, we have achieved success through our established client relationships, industry leadership, technology solutions and exceptional people. This solid foundation provides a strong connection to continued growth in the years ahead.***

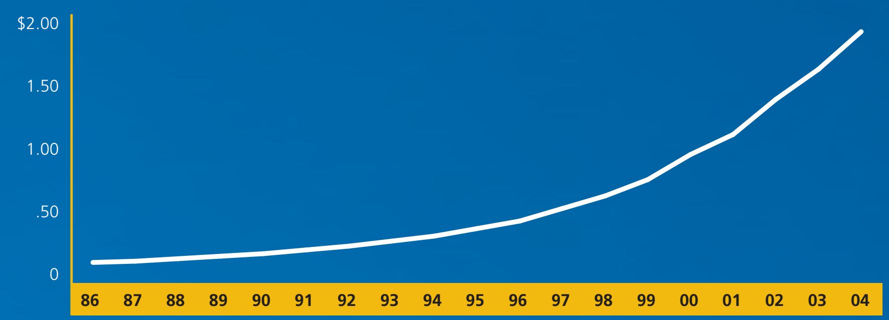
YEAR-END STOCK PRICE »
*(In dollars)*




PROCESSING AND SERVICES REVENUES »
*(In millions)*




DILUTED EARNINGS PER SHARE »
*(In dollars)*



# *Financial* Report »

# *Consolidated* Statements of Income »

*(In thousands, except per share data)*

| YEARS ENDED DECEMBER 31, | 2004 | 2003 | 2002 |
|---|---|---|---|
| **REVENUES:** | | | |
| Processing and services | $3,350,595 | $2,592,115 | $2,099,038 |
| Customer reimbursements | 379,151 | 333,252 | 290,354 |
| **TOTAL REVENUES** | 3,729,746 | 2,925,367 | 2,389,392 |
| **COST OF REVENUES:** | | | |
| Salaries, commissions and payroll related costs | 1,320,760 | 1,222,675 | 1,053,923 |
| Customer reimbursement expenses | 379,151 | 333,252 | 290,354 |
| Data processing costs and equipment rentals | 212,052 | 205,617 | 153,202 |
| Prescription costs | 439,576 | 55,902 | – |
| Other operating expenses | 533,284 | 420,261 | 323,223 |
| Depreciation and amortization | 185,363 | 165,838 | 134,389 |
| **TOTAL COST OF REVENUES** | 3,070,186 | 2,403,545 | 1,955,091 |
| **OPERATING INCOME** | 659,560 | 521,822 | 434,301 |
| Interest expense | (24,902) | (22,895) | (17,758) |
| Interest income | 6,708 | 7,340 | 8,589 |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 641,366 | 506,267 | 425,132 |
| Income tax provision | 246,468 | 197,444 | 165,801 |
| **INCOME FROM CONTINUING OPERATIONS** | 394,898 | 308,823 | 259,331 |
| **INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES** | (17,256) | 6,189 | 6,806 |
| **NET INCOME** | $ 377,642 | $ 315,012 | $ 266,137 |
| **BASIC NET INCOME (LOSS) PER SHARE:** | | | |
| Continuing operations | $ 2.03 | $1.60 | $1.36 |
| Discontinued operations | (0.09) | 0.03 | 0.04 |
| **TOTAL** | $ 1.94 | $1.63 | $1.39 |
| **DILUTED NET INCOME (LOSS) PER SHARE:** | | | |
| Continuing operations | $ 2.00 | $1.58 | $1.33 |
| Discontinued operations | (0.09) | 0.03 | 0.03 |
| **TOTAL** | $ 1.91 | $1.61 | $1.37 |
| **SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE:** | | | |
| Basic | 194,981 | 193,240 | 191,386 |
| Diluted | 197,287 | 195,937 | 194,951 |

*See notes to consolidated financial statements.*

# *Consolidated* Balance Sheets »

*(Dollars in thousands)*

| DECEMBER 31, | 2004 | 2003 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 516,127 | $ 162,668 |
| Accounts receivable, less allowance for doubtful accounts | 437,764 | 417,521 |
| Prepaid expenses and other assets | 100,810 | 98,415 |
| Investments | 1,984,536 | 1,838,925 |
| Property and equipment | 213,799 | 200,579 |
| Intangible assets | 519,449 | 548,912 |
| Goodwill | 1,859,347 | 1,721,322 |
| Assets of discontinued operations held for sale | 2,751,517 | 2,225,833 |
| **TOTAL** | $8,383,349 | $7,214,175 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Accounts payable | $ 202,616 | $ 179,191 |
| Short-term borrowings | 100,000 | 100,000 |
| Accrued expenses | 363,513 | 256,110 |
| Accrued income taxes | 44,955 | 23,453 |
| Deferred revenues | 226,080 | 208,996 |
| Customer funds held and retirement account deposits | 1,829,639 | 1,582,698 |
| Deferred income taxes | 134,330 | 95,276 |
| Long-term debt | 505,327 | 699,116 |
| Liabilities of discontinued operations held for sale | 2,412,467 | 1,869,527 |
| **TOTAL LIABILITIES** | 5,818,927 | 5,014,367 |
| **COMMITMENTS AND CONTINGENCIES** | | |
| **SHAREHOLDERS' EQUITY** | | |
| Preferred stock, no par value: | | |
| 25,000,000 shares authorized; none issued | – | – |
| Common stock, $0.01 par value: | | |
| 450,000,000 shares authorized; | | |
| 195,940,360 and 194,259,709 shares issued | 1,959 | 1,943 |
| Additional paid-in capital | 679,573 | 637,623 |
| Accumulated other comprehensive income | 26,695 | 17,345 |
| Accumulated earnings | 1,920,539 | 1,542,897 |
| Treasury stock, at cost, 1,691,500 shares at December 31, 2004 | (64,344) | – |
| **TOTAL SHAREHOLDERS' EQUITY** | 2,564,422 | 2,199,808 |
| **TOTAL** | $8,383,349 | $7,214,175 |

*See notes to consolidated financial statements.*

# *Consolidated* Statements of Shareholders' Equity »

| *(In thousands)* | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Comprehensive Income | Accumulated Other Comprehensive Income | Accumulated Earnings | Treasury Stock |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2001 | 190,281 | $1,903 | $564,959 | | $76,216 | $ 961,748 | – |
| Net income | | | | $266,137 | | 266,137 | |
| Foreign currency translation | | | | 1,166 | 1,166 | | |
| Change in unrealized gains on available-for-sale investments - net of tax | | | | (45,184) | (45,184) | | |
| Reclassification adjustment for realized investment gains included in net income | | | | (1,573) | (1,573) | | |
| Fair market value adjustment on cash flow hedges - net of tax | | | | (6,743) | (6,743) | | |
| Comprehensive income | | | | $213,803 | | | |
| Shares issued under stock plans including income tax benefits | 2,169 | 21 | 34,741 | | | | $ 7,856 |
| Purchase of treasury stock | | | | | | | (33,578) |
| Balance at December 31, 2002 | 192,450 | 1,924 | 599,700 | | 23,882 | 1,227,885 | (25,722) |
| Net income | | | | $315,012 | | 315,012 | |
| Foreign currency translation | | | | 1,078 | 1,078 | | |
| Change in unrealized gains on available-for-sale investments - net of tax | | | | (927) | (927) | | |
| Reclassification adjustment for realized investment gains included in net income | | | | (10,264) | (10,264) | | |
| Fair market value adjustment on cash flow hedges - net of tax | | | | 3,576 | 3,576 | | |
| Comprehensive income | | | | $308,475 | | | |
| Shares issued under stock plans including income tax benefits | 1,265 | 13 | 20,411 | | | | 11,761 |
| Shares issued for acquired companies | 545 | 6 | 17,512 | | | | 13,961 |
| Balance at December 31, 2003 | 194,260 | 1,943 | 637,623 | | 17,345 | 1,542,897 | – |
| Net income | | | | **$377,642** | | **377,642** | |
| Foreign currency translation | | | | **634** | **634** | | |
| Change in unrealized gains on available-for-sale investments - net of tax | | | | **3,253** | **3,253** | | |
| Fair market value adjustment on cash flow hedges - net of tax | | | | **5,463** | **5,463** | | |
| Comprehensive income | | | | **$386,992** | | | |
| Shares issued under stock plans including income tax benefits | **1,680** | **16** | **41,950** | | | | **–** |
| Purchase of treasury stock | | | | | | | **(64,344)** |
| Balance at December 31, 2004 | **195,940** | **$1,959** | **$679,573** | | **$26,695** | **$1,920,539** | **$(64,344)** |

*See notes to consolidated financial statements.*

# *Consolidated* Statements of Cash Flows »

| *(In thousands)*<br>YEARS ENDED DECEMBER 31, | 2004 | 2003 | 2002 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net income | $377,642 | $315,012 | $266,137 |
| Adjustment for discontinued operations | 17,256 | (6,189) | (6,806) |
| Adjustments to reconcile net income to net cash provided by operating activities from continuing operations: | | | |
| Deferred income taxes | 23,022 | 27,488 | 26,296 |
| Depreciation and amortization | 185,363 | 165,838 | 134,389 |
| Changes in assets and liabilities, net of effects from acquisitions of businesses: | | | |
| Accounts receivable | (19,177) | 17,268 | 6,022 |
| Prepaid expenses and other assets | (4,518) | 4,803 | (7,144) |
| Accounts payable and accrued expenses | 54,445 | 33,371 | 12,401 |
| Deferred revenues | 17,826 | 9,420 | 10,072 |
| Accrued income taxes | 46,524 | 28,674 | 39,756 |
| Net cash provided by operating activities from continuing operations | 698,383 | 595,685 | 481,123 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Capital expenditures, including capitalization of software costs for external customers | (161,093) | (139,111) | (137,126) |
| Payment for acquisitions of businesses, net of cash acquired | (64,896) | (735,917) | (362,578) |
| Investments | (139,258) | 139,432 | (307,406) |
| Net cash used in investing activities from continuing operations | (365,247) | (735,596) | (807,110) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from short-term borrowings | – | – | 43,514 |
| Proceeds from long-term debt | 17,303 | 248,268 | 156,481 |
| Repayments of long-term debt | (210,243) | (32,474) | (16,908) |
| Issuance of common stock and treasury stock | 30,666 | 18,585 | 11,420 |
| Purchases of treasury stock | (64,344) | – | (33,578) |
| Customer funds held and retirement account deposits | 246,941 | (124,760) | 260,884 |
| Net cash provided by financing activities from continuing operations | 20,323 | 109,619 | 421,813 |
| Change in cash and cash equivalents | 353,459 | (30,292) | 95,826 |
| Beginning balance | 162,668 | 192,960 | 97,134 |
| Ending balance | $516,127 | $162,668 | $192,960 |
| Net cash (used in) provided by discontinued operations | $ (4,251) | $ 5,821 | $ (4,675) |

*See notes to consolidated financial statements.*

# *Notes* to Consolidated Financial Statements »

*For the years ended December 31, 2004, 2003 and 2002*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES »

### DESCRIPTION OF THE BUSINESS »

Fiserv, Inc. and subsidiaries (the "Company") is an independent provider of data processing systems and related information management services and products to financial institutions, other financial intermediaries and employers who self-insure their health plans. The Company's operations are primarily in the United States and consist of three business segments based on the services provided by each: Financial institution outsourcing, systems and services; Health plan management services; and Investment support services. The Financial institution outsourcing, systems and services segment provides account and transaction processing products and services to financial institutions and other financial intermediaries. The Health plan management services segment provides services primarily to employers who self-insure their health plans, including services such as handling payments to healthcare providers, assisting with cost controls, plan design services and prescription benefit management. The Investment support services segment provides retirement plan administration services to individual retirement plan and pension administrators, financial planners and financial institutions.

### DISCONTINUED OPERATIONS »

On December 16, 2004, the Company announced it had reached a definitive agreement to sell its securities clearing businesses to the National Financial unit of Fidelity Investments for a price of approximately $365 million. The transaction is subject to standard and customary closing conditions and is expected to close in the first quarter of 2005. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the financial results of the Company's securities clearing businesses are reported as discontinued operations for all periods presented.

### PRINCIPLES OF CONSOLIDATION »

The consolidated financial statements include the accounts of Fiserv, Inc. and all majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

### RECLASSIFICATIONS »

Certain amounts reported in prior periods have been reclassified to conform to the 2004 presentation. The reclassifications did not impact the Company's net income or net income per share.

### USE OF ESTIMATES »

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 fair values of cash equivalents, accounts receivable, accounts payable, short-term borrowings, accrued expenses and customer funds held and retirement account deposits approximate the carrying values due to the short period of time to maturity. The fair value of investments is determined based on quoted market prices. The fair value of long-term debt is estimated using discounted cash flows based on the Company's current incremental borrowing rates or dealer quotes and the fair value of derivative instruments is determined based on dealer quotes.

# *Notes* continued

## NEW ACCOUNTING PRONOUNCEMENT »

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), that requires companies to expense the value of employee stock options, discounts on employee stock purchase plans and similar awards. Under SFAS 123R, share-based payment awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. SFAS 123R is effective for periods beginning after June 15, 2005 and applies to all outstanding and unvested share-based payment awards at the adoption date. The Company has not completed its evaluation of the impact of adopting SFAS 123R.

## DERIVATIVE INSTRUMENTS »

The Company accounts for its derivative instruments in accordance with SFAS Nos. 133, 137 and 149 related to "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133, as amended"). Derivative instruments are recorded on the balance sheet as either an asset or liability measured at their fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative are recognized in earnings. To the extent the hedge is effective, there is an offsetting adjustment to the basis of the item being hedged. If the derivative is designated as a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded as a component of accumulated other comprehensive income and recognized in the consolidated statements of income when the hedged item affects earnings. Ineffective portions of changes in the fair value of hedges are recognized in earnings.

The Company's existing fair value and cash flow hedges are effective. As a result, there is no current impact on earnings due to hedge ineffectiveness. It is the policy of the Company to execute such instruments with credit-worthy banks and not to enter into derivative financial instruments for speculative purposes.

## REVENUE RECOGNITION »

Revenues from the sale of data processing services, consulting and administration fees on investment accounts are recognized as the related services are provided or when the product is shipped.

Revenues from investment support services include net investment income of $74.1 million, $67.4 million and $76.0 million in 2004, 2003 and 2002, respectively. Revenues from software license fees (representing approximately 4%, 5% and 7% of 2004, 2003 and 2002 processing and services revenues, respectively) are recognized when written contracts are signed, delivery of the product has occurred, the fee is fixed or determinable and collection is probable. Maintenance fee revenues are recognized ratably over the term of the related support period; generally 12 months. Deferred revenues consist primarily of advance billings for services and are recognized as revenues when the services are provided.

Revenues from our pharmacy network contracts where we are the principal are recognized on a gross basis, at the prescription price (ingredient cost plus dispensing fee) negotiated with our clients, excluding the portion of the price to be settled directly by the member (co-payment), plus our administrative fees. Our responsibilities under our client contract to adjudicate member claims properly, our separate contractual pricing relationships and responsibilities to the pharmacies in our networks, and our interaction with members, among other factors, qualify us as the principal under the indicators set forth in Emerging Issues Task Force No. 99-19 "Reporting Gross Revenues as a Principal vs. Net as an Agent" in the majority of our transactions with customers.

## CASH AND CASH EQUIVALENTS »

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

## ALLOWANCE FOR DOUBTFUL ACCOUNTS »

The Company specifically analyzes accounts receivable and historical bad debts, customer credit-worthiness, current economic trends, and changes in our customer payment terms and collection trends when evaluating the adequacy of its allowance for doubtful accounts. Any change in the assumptions used in analyzing a specific account receivable may result in an additional allowance for doubtful accounts being recognized in the period in which the change occurs. The balance in the allowance for doubtful accounts was $29.5 million and $25.9 million at December 31, 2004 and 2003, respectively.

# *Notes* continued

## INVESTMENTS »

The following summarizes the Company's investments at December 31:

| 2004 (In thousands) | Amortized/ Historical Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Carrying Value |
|---|---|---|---|---|---|
| Mortgage-backed obligations | $1,496,969 | $ 8,249 | $(33,647) | $1,471,571 | $1,496,969 |
| Corporate debt obligations | 27,658 | 3,218 | – | 30,876 | 27,658 |
| Other fixed income obligations | 990 | 4 | – | 994 | 990 |
| Total held-to-maturity investments | 1,525,617 | 11,471 | (33,647) | 1,503,441 | 1,525,617 |
| Available-for-sale investments | 30,436 | 50,124 | – | 80,560 | 80,560 |
| Money market mutual funds | 131,872 | – | – | 131,872 | 131,872 |
| Repurchase agreements | 225,000 | – | – | 225,000 | 225,000 |
| Other investments | 21,487 | – | – | 21,487 | 21,487 |
| TOTAL | $1,934,412 | $61,595 | $(33,647) | $1,962,360 | $1,984,536 |

| 2003 (In thousands) | Amortized/ Historical Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Carrying Value |
|---|---|---|---|---|---|
| Mortgage-backed obligations | $1,604,737 | $11,052 | $(28,732) | $1,587,057 | $1,604,737 |
| Corporate debt obligations | 30,422 | 4,401 | – | 34,823 | 30,422 |
| Private mortgage-backed securities | 9,383 | 242 | – | 9,625 | 9,383 |
| Other fixed income obligations | 3,711 | 108 | – | 3,819 | 3,711 |
| Total held-to-maturity investments | 1,648,253 | 15,803 | (28,732) | 1,635,324 | 1,648,253 |
| Available-for-sale investments | 8,069 | 45,139 | – | 53,208 | 53,208 |
| Money market mutual funds | 61,968 | – | – | 61,968 | 61,968 |
| Repurchase agreements | 55,030 | – | – | 55,030 | 55,030 |
| Other investments | 20,466 | – | – | 20,466 | 20,466 |
| TOTAL | $1,793,786 | $60,942 | $(28,732) | $1,825,996 | $1,838,925 |

The Company's Investment support services subsidiaries accept money market deposits from customers and invest the funds in securities. Such amounts due to customers represent the primary source of funds for the Company's investment securities and amounted to $1.8 billion and $1.5 billion as of December 31, 2004 and 2003, respectively. The Company's mortgage-backed obligations consist primarily of GNMA, FNMA and FHLMC mortgage-backed pass-through securities and collateralized mortgage obligations rated AAA by Standard and Poor's. Mortgage-backed obligations may contain prepayment risk and the Company has never experienced a default on these types of securities. Substantially all of the Investment support services subsidiary's investments are rated AAA or equivalent except for certain corporate debt obligations which are classified as investment grade. Investments in mortgage-backed obligations and certain fixed income obligations had an average duration of approximately three years and five months at December 31, 2004. These investments are accounted for as held-to-maturity and are carried at amortized cost as the Company has the ability and intent to hold these investments to maturity.

Available-for-sale investments are carried at market, based upon quoted market prices. Unrealized gains or losses on available-for-sale investments are accumulated in shareholders' equity as accumulated other comprehensive income, net of related deferred income taxes. Realized gains or losses are computed based on specific identification of the investments sold, based on the trade date.

## PROPERTY AND EQUIPMENT »

Property and equipment are stated at cost. Depreciation and amortization are computed primarily using the straight-line method over the estimated useful lives of the assets. Property and equipment consist of the following at December 31:

| *(In thousands)* | Estimated Useful Lives | 2004 | 2003 |
|---|---|---|---|
| Data processing equipment | 3 to 5 years | $368,502 | $318,594 |
| Buildings and leasehold improvements | 5 to 40 years | 125,179 | 120,109 |
| Furniture and equipment | 3 to 10 years | 122,056 | 119,011 |
| | | 615,737 | 557,714 |
| Less accumulated depreciation and amortization | | 401,938 | 357,135 |
| TOTAL | | $213,799 | $200,579 |

## INTANGIBLE ASSETS »

Intangible assets consist of the following at December 31:

| 2004 *(In thousands)* | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Software development costs for external customers | $ 507,122 | $352,429 | $154,693 |
| Purchased software | 212,280 | 136,273 | 76,007 |
| Customer base | 312,091 | 86,996 | 225,095 |
| Trade names | 57,744 | – | 57,744 |
| Other | 10,041 | 4,131 | 5,910 |
| TOTAL | $1,099,278 | $579,829 | $519,449 |

| 2003 *(In thousands)* | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Software development costs for external customers | $ 446,550 | $294,727 | $151,823 |
| Purchased software | 188,484 | 112,103 | 76,381 |
| Customer base | 333,309 | 71,951 | 261,358 |
| Trade names | 56,911 | – | 56,911 |
| Other | 4,846 | 2,407 | 2,439 |
| TOTAL | $1,030,100 | $481,188 | $548,912 |

Software development costs for external customers include internally generated computer software for external customers and software acquired in conjunction with acquisitions of businesses. The Company capitalizes certain costs incurred to develop new software or enhance existing software which is marketed externally or utilized by the Company to process customer transactions in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Costs are capitalized commencing when the technological feasibility of the software has been established. Routine maintenance of software products, design costs and development costs incurred prior to establishment of a product's technological feasibility are expensed as incurred. Amortization of all software is computed on a straight-line basis over the expected useful life of the product, generally three to five years.

# Notes continued

Gross software development costs for external customers capitalized for new products and enhancements to existing products totaled $47.8 million, $51.9 million and $44.9 million in 2004, 2003 and 2002, respectively. Amortization of previously capitalized development costs, included in depreciation and amortization, was $60.2 million, $47.8 million and $38.3 million in 2004, 2003 and 2002, respectively, resulting in net capitalized (amortized) development costs of $(12.4) million, $4.1 million and $6.6 million in 2004, 2003 and 2002, respectively.

Customer base intangible assets represent customer contracts and relationships obtained as part of acquired businesses and are amortized using the straight-line method over their estimated useful lives, ranging from five to 20 years. Trade names have been determined to have indefinite lives and therefore are not amortized in accordance with the provisions of SFAS No. 142 "Goodwill and Other Intangible Assets." Other intangible assets consist primarily of non-compete agreements, which are generally amortized over their estimated useful lives.

Amortization expense for intangible assets was $110.5 million, $90.0 million and $74.4 million for the years ended December 31, 2004, 2003 and 2002, respectively. Aggregate amortization expense with respect to existing intangible assets with finite lives resulting from acquisitions of businesses, excluding software amortization, should approximate $20 million annually.

## GOODWILL »

The excess of the purchase price over the estimated fair value of tangible and identifiable intangible assets acquired is recorded as goodwill. The changes in the carrying amount of goodwill by business segment during the years ended December 31, 2004 and 2003 are as follows:

| *(In thousands)* | Financial Institution Outsourcing, Systems and Services | Health Plan Management Services | Investment Support Services | Total |
|---|---|---|---|---|
| Balance, December 31, 2002 | $1,013,267 | $171,090 | $1,593 | $1,185,950 |
| Goodwill additions | 319,256 | 216,116 | – | 535,372 |
| Balance, December 31, 2003 | 1,332,523 | 387,206 | 1,593 | 1,721,322 |
| Goodwill additions | 68,728 | 69,297 | – | 138,025 |
| Balance, December 31, 2004 | $1,401,251 | $456,503 | $1,593 | $1,859,347 |

## IMPAIRMENT OF LONG-LIVED ASSETS »

The Company assesses the likelihood of recovering the cost of long-lived assets based on current and projected operating results and cash flows of the related business operations using undiscounted cash flow analyses. These factors, along with management's plans with respect to the operations, are considered in assessing the recoverability of property and equipment and intangible assets subject to amortization. Measurement of any impairment loss is based on discounted operating cash flows.

## SHORT-TERM BORROWINGS »

The Company's Investment support services subsidiaries had short-term borrowings of $100.0 million as of December 31, 2004 and 2003, with an average interest rate of 2.6% and 1.6% as of December 31, 2004 and 2003, respectively, and were collateralized by investments valued at $102.0 million at December 31, 2004 and 2003.

# *Notes* continued

## INCOME TAXES »

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Under these rules, certain assumptions are made which represent significant estimates. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis, net operating loss and tax credit carryforwards, and tax contingencies. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against deferred tax assets for which utilization of the asset is not likely.

## NET INCOME PER SHARE »

Basic net income per share is computed using the weighted-average number of common shares outstanding during the periods. Diluted net income per share is computed using the weighted-average number of common and dilutive common equivalent shares outstanding during the periods. Common equivalent shares consist primarily of stock options and are computed using the treasury stock method. During the years ended December 31, 2004, 2003 and 2002, the Company excluded 4.1 million, 3.4 million and 1.3 million weighted-average shares under stock options, respectively, from the calculation of common equivalent shares as the impact was anti-dilutive.

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

| *(In thousands)* | 2004 | 2003 | 2002 |
|---|---|---|---|
| Weighted-average common shares outstanding used for calculation of net income per share - basic | **194,981** | 193,240 | 191,386 |
| Common stock equivalents | **2,306** | 2,697 | 3,565 |
| Total shares used for calculation of net income per share - diluted | **197,287** | 195,937 | 194,951 |

## STOCK-BASED COMPENSATION »

The Company has accounted for its stock-based compensation plans in accordance with the intrinsic value provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, the Company did not record compensation expense in the consolidated financial statements for its stock-based compensation plans. The fair value of each option issued prior to January 1, 2004 was estimated on the date of grant using a Black-Scholes option-pricing model. For options issued on or after January 1, 2004, the fair value of each option was estimated on the date of grant using a binomial option-pricing model and are amortized utilizing tranche-specific vesting. Stock options are typically granted in the first quarter of the year, generally vest 20% on the date of grant and 20% each year thereafter and expire 10 years from the date of the award. The following table illustrates the effect on net income and net income per share had compensation expense been recognized consistent with the fair value provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

| *(In thousands, except per share data)* | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net income: | | | |
| As reported | **$377,642** | $315,012 | $266,137 |
| Less: stock compensation expense - net of tax | **(18,000)** | (17,000) | (18,200) |
| Pro forma | **$359,642** | $298,012 | $247,937 |
| Reported net income per share: | | | |
| Basic | **$1.94** | $1.63 | $1.39 |
| Diluted | **1.91** | 1.61 | 1.37 |
| Pro forma net income per share: | | | |
| Basic | **$1.84** | $1.54 | $1.30 |
| Diluted | **1.82** | 1.52 | 1.27 |

# *Notes* continued

The fair value of each stock option granted in 2004 was estimated on the date of grant using a binomial option-pricing model; the 2003 and 2002 stock options were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| Expected life (in years) | **5.5** | 5.0 | 5.0 |
| Risk-free interest rate | **3.1%** | 3.0% | 4.4% |
| Volatility | **33.6%** | 52.3% | 50.0% |
| Dividend yield | **0.0%** | 0.0% | 0.0% |

The weighted-average estimated fair value of stock options granted during the years ended December 31, 2004, 2003 and 2002 was $13.56, $15.14 and $20.24 per share, respectively.

### SHAREHOLDER RIGHTS PLAN »

The Company has a shareholder rights plan. Under this plan, each shareholder holds one preferred stock purchase right for each outstanding share of the Company's common stock held. The stock purchase rights are not exercisable until certain events occur.

### ACCUMULATED OTHER COMPREHENSIVE INCOME »

Accumulated other comprehensive income consists of the following at December 31:

| *(In thousands)* | 2004 | 2003 |
|---|---|---|
| Unrealized gains on investments, net of tax | **$32,085** | $28,832 |
| Unrealized losses on cash flow hedges, net of tax | **(5,673)** | (11,136) |
| Foreign currency translation adjustments | **283** | (351) |
| TOTAL | **$26,695** | $17,345 |

### SUPPLEMENTAL CASH FLOW INFORMATION »

| *(In thousands)* | 2004 | 2003 | 2002 |
|---|---|---|---|
| Interest paid | **$ 25,495** | $ 22,164 | $17,724 |
| Income taxes paid | **177,017** | 144,130 | 97,808 |
| Liabilities assumed in acquisitions of businesses | **10,507** | 85,072 | 29,033 |

## 2. ACQUISITIONS »

During 2004, 2003 and 2002, the Company completed the following acquisitions of businesses. The results of operations of these acquired businesses have been included in the accompanying consolidated statements of income from the dates of acquisition.

| Company | Month Acquired | Service | Consideration |
|---|---|---|---|
| 2004: | | | |
| **RegEd, Inc.** | **Jan.** | **Insurance/securities training** | **Cash for stock** |
| **Pharmacy Fulfillment, Inc.** | **Aug.** | **Health plan management** | **Cash for stock** |
| **Results International Systems, Inc.** | **Aug.** | **Insurance data processing** | **Cash for stock** |
| **CheckAGAIN, LLC** | **Oct.** | **Item processing** | **Cash for assets** |

| Company | Month Acquired | Service | Consideration |
|---|---|---|---|
| **2003:** | | | |
| AVIDYN, Inc. | Jan. | Health plan management | Stock for stock |
| Precision Computer Systems, Inc. | Mar. | Software and services | Cash for stock |
| ReliaQuote, Inc. | Apr. | Insurance services | Cash for stock |
| WBI Holdings Corporation | May | Health plan management | Cash for stock |
| Electronic Data Systems Corporation's Credit Union Industry Group business | July | Credit union data processing | Cash for assets |
| Chase Credit Systems Inc. & Chase Credit Research Inc. | July | Lending services | Cash for stock |
| Unisure, Inc. | Sept. | Insurance data processing | Cash for assets |
| Insurance Management Solutions Group, Inc. | Sept. | Insurance data processing | Cash for stock |
| GAC Holdings Corporation | Sept. | Lending services | Cash for stock |
| Federal Home Loan Bank of Indianapolis IP services | Oct. | Item processing | Cash for assets |
| MI-Assistant Software, Inc. | Nov. | Insurance software systems | Cash for assets |
| MedPay Corporation | Dec. | Health plan management | Cash for stock |
| **2002:** | | | |
| Case, Shiller, Weiss, Inc. | May | Lending services | Cash for stock |
| Investec Ernst & Company's clearing operations | Aug. | Securities clearing services* | Cash for assets |
| Willis Group's TPA operations | Nov. | Health plan management | Cash for assets |
| Electronic Data Systems Corporation's Consumer Network Services business | Dec. | EFT data processing | Cash for assets |
| Lenders Financial Services | Dec. | Lending services | Cash for stock |

* Results included in discontinued operations

During 2004, 2003 and 2002, the Company completed four, 12 and five acquisitions, respectively. Net cash paid for these acquisitions was $35.7 million, $702.8 million and $322.9 million, respectively, subject to certain adjustments. Pro forma information for 2004 is not being provided as the 2004 acquisitions did not have a material effect on the Company's results of operations.

The Company may be required to pay additional cash consideration for acquisitions up to maximum estimated payments of $129.9 million through 2007, if certain of the acquired entities achieve specific escalating operating income targets. The Company has recorded a liability of $74.3 million at December 31, 2004 as an estimate of the additional cash consideration to be paid. During 2004, as a result of previously acquired entities achieving their operating income targets, the Company paid additional cash consideration of $29.2 million. The additional consideration was treated as additional purchase price.

## 3. DISPOSITIONS »

On December 16, 2004, the Company entered into an Agreement among Fiserv, Inc., Fiserv Clearing, Inc. and National Financial Services LLC ("National Financial") to sell its securities clearing businesses pursuant to which National Financial will acquire all of the outstanding shares of BHC Investments, Inc., a subsidiary of Fiserv ("BHC"), for approximately $349 million in cash payable at closing, subject to certain post-closing adjustments, plus a contingent payment of up to $15 million to be paid after the first anniversary of the closing date based on achievement of specific revenue targets. Consummation of the transaction is subject to customary conditions to closing, including receipt of regulatory approvals. The Agreement provides that the Company will be required to retain certain liabilities of BHC, including, among others, those relating to the previously announced Securities and Exchange Commission investigation of Fiserv Securities, Inc. (see Note 7).

# *Notes* continued

The transaction is expected to be completed in the first quarter of 2005 and the Company does not anticipate a material gain or loss as a result of this transaction. Pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the assets and liabilities, results of operations and cash flows of the securities clearing businesses have been accounted for as "Discontinued Operations" in the accompanying Consolidated Financial Statements and all prior periods have been restated.

Assets and liabilities of discontinued operations are presented separately under the captions "Assets of discontinued operations held for sale" and "Liabilities of discontinued operations held for sale," respectively, in the accompanying Consolidated Balance Sheets and consist of the following at December 31:

| *(In thousands)* | 2004 | 2003 |
|---|---|---|
| Assets of discontinued operations: | | |
| Cash and cash equivalents | $ 35,849 | $ 40,100 |
| Securities processing receivables | 2,404,215 | 1,940,414 |
| Prepaid expenses and other assets | 27,632 | 21,753 |
| Investments | 128,279 | 65,236 |
| Property and equipment | 4,140 | 5,497 |
| Intangible assets and goodwill | 151,402 | 152,833 |
| TOTAL | $2,751,517 | $2,225,833 |
| Liabilities of discontinued operations: | | |
| Accounts payable and accruals | $ 53,328 | $ 43,764 |
| Securities processing payables | 2,349,139 | 1,786,763 |
| Short-term borrowings | 10,000 | 39,000 |
| TOTAL | $2,412,467 | $1,869,527 |

Processing and services revenues from the securities clearing businesses included in "Income (loss) from discontinued operations" were $114.8 million, $107.5 million and $106.7 million in 2004, 2003 and 2002, respectively. Income tax expense (benefit) for the securities clearing businesses was $(0.1 million), $4.0 million and $4.4 million for the years ended December 31, 2004, 2003 and 2002, respectively. Future minimum operating lease commitments for the securities clearing businesses at December 31, 2004 were $38.7 million.

## 4. LONG-TERM DEBT »

The Company has available a $700.0 million unsecured line of credit and commercial paper facility with a group of banks, of which $195.0 million was in use at December 31, 2004, with a weighted-average variable interest rate of 2.8% and 1.8% at December 31, 2004 and 2003, respectively. The credit facilities, which expire in May 2009, consist of a $465.3 million five-year revolving credit facility and a $234.7 million 364-day revolving credit facility which is subject to renewal annually through 2009. There were no significant commitment fees or compensating balance requirements under these facilities. The Company must, among other requirements, maintain a minimum net worth of $1.8 billion as of December 31, 2004 and limit its total debt to no more than three and one-half times the Company's earnings before interest, taxes, depreciation and amortization. The Company was in compliance with all debt covenants throughout 2004.

At December 31, 2004, the Company had cash flow interest rate swap agreements to fix the interest rates on certain floating-rate debt at a rate approximating 6.8% (based on current bank fees and spreads) for a notional amount of $200.0 million until December 2005. During the second quarter of 2003, the Company entered into additional cash flow interest rate swap agreements to fix the interest rates on certain floating-rate debt at an average rate approximating 5.0% (based on current bank fees and spreads) for a notional amount of $150.0 million from December 2005 to 2008. The estimated fair values of the cash flow hedges are $9.1 million and $18.0 million as of December 31, 2004 and 2003, respectively, and are included in the accompanying consolidated balance sheets in accrued expenses and as a component of accumulated other comprehensive income, net of deferred taxes.

In addition, the Company had fixed-to-floating interest rate swap agreements on the $150.0 million 4% senior notes due April 2008, with a variable interest rate of approximately 3.0% at December 31, 2004. The estimated fair values of the fair value hedges are $2.0 million and $0.5 million as of December 31, 2004 and 2003, respectively, and are included in the accompanying consolidated balance sheets in accrued expenses and long-term debt.

The carrying value and estimated fair values of the Company's long-term debt are as follows at December 31:

| (In thousands) | 2004 | | 2003 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Bank notes and commercial paper, at short-term rates | $194,993 | $194,993 | $395,600 | $395,600 |
| 3.0% senior notes payable, due 2008 | 99,922 | 95,877 | 99,900 | 96,921 |
| 4.0% senior notes payable, due 2008 | 147,957 | 148,875 | 149,897 | 151,540 |
| Other | 62,455 | 62,837 | 53,719 | 55,235 |
| Total long-term debt | $505,327 | $502,582 | $699,116 | $699,296 |

Annual principal payments required under the terms of the long-term debt agreements are as follows at December 31, 2004:

| (In thousands) | |
|---|---|
| Years ending December 31, | |
| 2005 | $ 47,486 |
| 2006 | 3,917 |
| 2007 | 3,863 |
| 2008 | 251,619 |
| 2009 | 198,442 |
| TOTAL | $505,327 |

## 5. INCOME TAXES »

A reconciliation of recorded income tax expense from continuing operations with income tax computed at the statutory federal tax rates is as follows for the three years ended December 31:

| (In thousands) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Statutory federal tax rate | 35% | 35% | 35% |
| Tax computed at statutory rate | $224,478 | $177,193 | $148,796 |
| State income taxes, net of federal effect | 22,983 | 19,047 | 15,794 |
| Foreign tax credit carryover | (2,431) | – | – |
| Other - net | 1,438 | 1,204 | 1,211 |
| TOTAL | $246,468 | $197,444 | $165,801 |

The provision for income taxes from continuing operations consisted of the following at December 31:

| (In thousands) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Current: | | | |
| Federal | $181,981 | $138,010 | $116,252 |
| State | 34,148 | 27,506 | 21,490 |
| Foreign | 7,317 | 4,440 | 1,763 |
| | 223,446 | 169,956 | 139,505 |
| Deferred: | | | |
| Federal | 22,894 | 28,890 | 25,511 |
| State | 1,134 | 1,431 | 1,592 |
| Foreign | (1,006) | (2,833) | (807) |
| | 23,022 | 27,488 | 26,296 |
| TOTAL | $246,468 | $197,444 | $165,801 |

Significant components of the Company's deferred tax assets and liabilities consist of the following at December 31:

| (In thousands) | 2004 | 2003 |
|---|---|---|
| Reserve for bad debts | $ 10,137 | $ 8,528 |
| Purchased incomplete software technology | 22,461 | 26,672 |
| Accrued expenses not currently deductible | 26,667 | 22,474 |
| Deferred revenues | 4,728 | 14,203 |
| Unrealized losses on cash flow hedges | 3,418 | 7,003 |
| Net operating loss carryforwards | 2,932 | 1,950 |
| Other | 8,767 | 7,212 |
| Total deferred tax assets | 79,110 | 88,042 |
| Software development costs for external customers | (40,384) | (42,499) |
| Excess of tax over book depreciation | (25,463) | (21,750) |
| Excess of tax over book amortization | (105,912) | (87,102) |
| Unrealized gains on investments | (18,081) | (16,341) |
| Other | (23,600) | (15,626) |
| Total deferred tax liabilities | (213,440) | (183,318) |
| TOTAL | $(134,330) | $ (95,276) |

Tax benefits associated with the exercise of non-qualified employee stock options were credited directly to additional paid-in capital and amounted to $11.3 million, $13.2 million and $31.2 million in 2004, 2003 and 2002, respectively.

At December 31, 2004, the Company has state net operating loss carryforwards of $35.4 million, with expiration dates ranging from 2005 through 2024. At December 31, 2004, the Company also has foreign tax credit carryforwards of $3.8 million with expiration dates ranging from 2005 through 2012.

## 6. EMPLOYEE BENEFIT PLANS »

### STOCK OPTION AND RESTRICTED STOCK PLAN »

The Company's Stock Option and Restricted Stock Plan (the "Plan") provides for the granting to its employees and directors of restricted stock and 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. Stock options are typically granted in the first quarter of the year, generally vest 20% on the date of grant and 20% each year thereafter and expire 10 years from the date of the award. At December 31, 2004, options to purchase 6.1 million shares were available for grant under the Plan.

Changes in stock options outstanding are as follows:

| | Number of Shares *In thousands* | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding, December 31, 2001 | 13,003 | $17.18 |
| Granted | 1,519 | 41.21 |
| Forfeited | (116) | 24.49 |
| Exercised | (2,796) | 10.70 |
| Outstanding, December 31, 2002 | 11,610 | $21.77 |
| Granted | 1,719 | 30.96 |
| Forfeited | (326) | 36.90 |
| Exercised | (1,414) | 9.37 |
| Outstanding, December 31, 2003 | 11,589 | $24.21 |
| Granted | 1,282 | 38.19 |
| Forfeited | (188) | 36.19 |
| Exercised | (1,123) | 12.42 |
| Outstanding, December 31, 2004 | 11,560 | $26.71 |

The number of shares under option that were exercisable at December 31, 2004, 2003 and 2002 were 8.5 million, 8.2 million and 8.1 million, at weighted-average exercise prices of $23.44, $20.19 and $16.69, respectively. The following summarizes information about the Company's stock options outstanding and exercisable at December 31, 2004:

| | Options Outstanding | | | Options Outstanding and Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Shares *In thousands* | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life *In years* | Number of Shares *In thousands* | Weighted Average Exercise Price |
| $ 5.38 - $10.67 | 1,630 | $ 9.32 | 1.5 | 1,630 | $ 9.32 |
| 10.89 - 16.00 | 1,514 | 15.50 | 3.0 | 1,514 | 15.50 |
| 17.00 - 21.33 | 2,283 | 20.63 | 4.6 | 2,260 | 20.66 |
| 21.67 - 30.99 | 1,673 | 30.28 | 7.8 | 709 | 29.70 |
| 32.46 - 37.04 | 2,046 | 36.68 | 6.5 | 1,441 | 36.99 |
| 37.21 - 45.99 | 2,414 | 40.29 | 8.0 | 987 | 40.96 |
| $ 5.38 - $45.99 | 11,560 | $26.71 | 5.4 | 8,541 | $23.44 |

EMPLOYEE STOCK PURCHASE PLAN »

The Company's employee stock purchase plan provides that eligible employees may purchase a limited number of shares of common stock each quarter through payroll deductions, at a purchase price equal to 85% of the closing price of the Company's common stock on the last business day of each calendar quarter. During the year ended December 31, 2004, 0.6 million shares were issued under the employee stock purchase plan. As of January 1, 2005, there were 1.0 million shares available for grant under this plan.

EMPLOYEE SAVINGS PLAN »

The Company and its subsidiaries have defined contribution 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 makes discretionary contributions based upon the attainment of certain profit goals. Company contributions vest ratably at 20% for the first five years of each employee's service. Company contributions charged to operations under these plans approximated $45.6 million, $44.3 million and $41.5 million in 2004, 2003 and 2002, respectively.

## 7. LEASES, OTHER COMMITMENTS AND CONTINGENCIES »

LEASES »

The Company leases certain office facilities and equipment under operating leases. Future minimum rental payments on operating leases with initial noncancellable lease terms in excess of one year were due as follows as of December 31, 2004:

*(In thousands)*

| | |
|---|---|
| Years ending December 31, | |
| 2005 | $ 85,664 |
| 2006 | 73,817 |
| 2007 | 59,917 |
| 2008 | 49,011 |
| 2009 | 37,112 |
| Thereafter | 105,799 |
| TOTAL | $411,320 |

Rent expense applicable to all operating leases was approximately $115.6 million, $111.2 million and $93.8 million during the years ended December 31, 2004, 2003 and 2002, respectively.

OTHER COMMITMENTS AND CONTINGENCIES »

During 2004, the Company's broker-dealer subsidiary, Fiserv Securities, Inc. ("FSI"), responded to inquiries from the Securities and Exchange Commission (the "SEC") as part of its industry-wide review of mutual fund trading practices. FSI has engaged in settlement discussions with the SEC as a result of an SEC investigation of FSI with respect to these matters. As a result of these discussions, FSI recorded a $16 million charge, included in discontinued operations, in 2004 with respect to these matters. A portion of any settlement amount with the SEC may be non-deductible for tax purposes. While no settlement with the SEC has been reached and no assurance can be given that these matters will be settled consistent with the amounts reserved, the Company does not anticipate any further material liability arising out of the SEC investigation.

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 consolidated financial statements of the Company.

The Company's Investment support services subsidiaries had fiduciary responsibility for the administration of approximately $35 billion in trust funds as of December 31, 2004. The Company is also the custodian of cash deposited by customers with specific instructions as to its disbursement from active escrow and account servicing files. The balances in these custodial accounts were $90 million and $44 million at December 31, 2004 and 2003, respectively, and have not been included in the consolidated financial statements.

## 8. BUSINESS SEGMENT INFORMATION »

In 2004, the Company reclassified its reportable segments for all periods presented to better align with how the chief operating decision maker of the Company currently manages its businesses. The previously reported "All other and corporate" segment was removed as the printing and plastic card businesses included in that segment were reclassified to the "Financial institution outsourcing, systems and services" segment and corporate expenses were allocated to each segment based on the segment's operating income as a percentage of total operating income. The securities clearing businesses which were historically presented in the Investment support services segment are reported under discontinued operations and are not included in the segment information below. The following table excludes the revenues and expenses associated with customer reimbursements because management believes that it is not appropriate to include the customer reimbursements in analyzing the current performance of the Company as these balances offset in revenues and expenses with no impact on operating income and these amounts are not an indicator of current or future business trends. Summarized financial information by business segment is as follows for each of the three years ended December 31:

| *(In thousands)* | Financial Institution Outsourcing Systems and Services | Health Plan Management Services | Investment Support Services | Total |
|---|---|---|---|---|
| **2004** | | | | |
| Processing and services revenues | **$2,339,143** | **$885,916** | **$ 125,536** | **$3,350,595** |
| Operating income | **563,645** | **75,365** | **20,550** | **659,560** |
| Identifiable assets | **2,501,855** | **696,543** | **2,142,773** | **5,341,171** |
| Capital expenditures, including capitalization of software development costs for external customers | **143,958** | **11,829** | **5,306** | **161,093** |
| Depreciation and amortization expense | **154,558** | **16,700** | **14,105** | **185,363** |
| **2003** | | | | |
| Processing and services revenues | $2,076,435 | $399,066 | $ 116,614 | $2,592,115 |
| Operating income | 457,783 | 47,472 | 16,567 | 521,822 |
| Identifiable assets | 2,467,727 | 598,163 | 1,889,080 | 4,954,970 |
| Capital expenditures, including capitalization of software development costs for external customers | 124,889 | 10,141 | 4,081 | 139,111 |
| Depreciation and amortization expense | 138,146 | 11,852 | 15,840 | 165,838 |
| **2002** | | | | |
| Processing and services revenues | $1,759,637 | $216,145 | $ 123,256 | $2,099,038 |
| Operating income | 383,384 | 32,422 | 18,495 | 434,301 |
| Identifiable assets | 1,956,901 | 257,339 | 2,072,224 | 4,286,464 |
| Capital expenditures, including capitalization of software development costs for external customers | 121,994 | 7,580 | 7,552 | 137,126 |
| Depreciation and amortization expense | 111,616 | 7,371 | 15,402 | 134,389 |

A reconciliation of reportable segment identifiable asset amounts to the Company's consolidated balance sheets is as follows:

| *(In thousands)* | 2004 | 2003 | 2002 |
|---|---|---|---|
| Assets: | | | |
| Reportable segments | **$5,341,171** | $4,954,970 | $4,286,464 |
| Corporate | **290,661** | 33,372 | 97,421 |
| Discontinued operations | **2,751,517** | 2,225,833 | 2,054,820 |
| TOTAL | **$8,383,349** | $7,214,175 | $6,438,705 |

The Company's domestic operations comprised approximately 97%, 96% and 95% of processing and services revenues for the years ended December 31, 2004, 2003 and 2002, respectively. No single customer accounted for more than 2%, 3% and 3% of consolidated processing and services revenues during the years ended December 31, 2004, 2003 and 2002, respectively.

# *Management's* Discussion and Analysis of Financial Condition and Results of Operations »

## SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 »

Certain matters discussed herein are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as "believes," "anticipates," or "expects," or words of similar import. Similarly, statements that describe future plans, objectives or goals of the Company are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those currently anticipated. Factors that could affect results include, among others, economic, competitive, governmental, regulatory and technological factors affecting the Company's operations, markets, services and related products, prices and other factors discussed in the Company's prior filings with the Securities and Exchange Commission including the Company's ability to complete the proposed sale of its securities clearing businesses. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The Company assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

## CRITICAL ACCOUNTING POLICIES »

The Company's consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company's management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Company continually evaluates the accounting policies and estimates it uses to prepare the consolidated financial statements. The Company bases its estimates on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management.

The majority of the Company's revenues are generated from monthly account and transaction-based fees in which revenue is recognized when the related services have been rendered. The revenues are recognized under service agreements having stipulated terms and conditions which are long-term in nature, generally three to five years, and do not require management to make significant judgments or assumptions. Given the nature of the Company's business and the applicable rules guiding revenue recognition, the Company's revenue recognition practices do not contain significant estimates that materially affect its results of operations.

The Company has reviewed the carrying value of goodwill and other intangible assets by comparing such amounts to their fair values and has determined that the carrying amounts of goodwill and other intangible assets do not exceed their respective fair values. The Company is required to perform this comparison at least annually or more frequently if circumstances indicate possible impairment. When determining fair value, the Company uses various assumptions, including projections of future cash flows. Given the significance of goodwill and other intangible asset balances, an adverse change to the fair value could result in an impairment charge, which could be material to the Company's financial statements.

The Company does not participate in, nor has it created, any off-balance sheet variable interest entities or other off-balance sheet financing, other than operating leases. In addition, the Company does not enter into any derivative financial instruments for speculative purposes and uses derivative financial instruments primarily for managing its exposure to changes in interest rates and managing its ratio of fixed to floating-rate long-term debt.

## NEW ACCOUNTING PRONOUNCEMENT »

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), that requires companies to expense the value of employee stock options, discounts on employee stock purchase plans and similar awards. Under SFAS 123R, share-based payment awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. SFAS 123R is effective for periods beginning after June 15, 2005, and applies to all outstanding and unvested share-based payment awards at the adoption date. The Company has not completed its evaluation of the impact of adopting SFAS 123R.

## MARKET RISK »

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, correlations or other market factors, such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. The Company is exposed primarily to interest rate risk and market price risk on investments and borrowings. The Company actively monitors these risks through a variety of control procedures involving senior management.

The Company's Investment support services subsidiaries accept money market account deposits from customers and invest those funds in marketable securities. Substantially all of the investments are rated within the highest investment grade categories for securities. The Company's Investment support services subsidiaries utilize simulation models for measuring and monitoring interest rate risk and market value of portfolio equities. A formal Asset Liability Committee of the Company meets quarterly to review interest rate risks, capital ratios, liquidity levels, portfolio diversification, credit risk ratings and adherence to investment policies and guidelines. Substantially all of the investments at December 31, 2004 have contractual maturities of one year or less except for mortgage-backed obligations, which have an average duration of approximately three years and five months. The Company does not believe any significant changes in interest rates would have a material impact on the consolidated financial statements.

The Company manages its debt structure and interest rate risk through the use of fixed and floating-rate debt and through the use of interest rate swaps. The Company uses interest rate swaps to partially hedge its exposure to interest rate changes and to control its financing costs. Generally, under these swaps, the Company agrees with a counter party to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed notional amount. While changes in interest rates could decrease the Company's interest income or increase its interest expense, the Company does not believe that it has a material exposure to changes in interest rates, primarily due to approximately 60% of the Company's long-term debt having fixed interest rates as of December 31, 2004. Based on the Company's long-term debt with variable interest rates as of December 31, 2004, a 1% increase in the Company's borrowing rate would increase annual interest expense by approximately $1.9 million. Based on the controls in place, management believes the risks associated with financial instruments at December 31, 2004 will not have a material effect on the Company's consolidated financial position or results of operations.

## RESULTS OF OPERATIONS »

The Company is an independent provider of financial data processing systems and related information management services and products to financial institutions, other financial intermediaries and employers who self-insure their health plans. During 2004, the Company reclassified its reportable segments to better align with how the chief operating decision maker of the Company currently manages its businesses. The previously reported "All other and corporate" segment was removed as the printing and plastic card businesses included in that segment were reclassified to the "Financial institution outsourcing, systems and services" segment and corporate expenses were allocated to each segment based on the segment's operating income as a percentage of total operating income. The Company's continuing operations are classified into three business segments: Financial institution outsourcing, systems and services ("Financial"); Health plan management services ("Health"); and Investment support services ("Investment").

On December 16, 2004, the Company announced it had reached a definitive agreement to sell its securities clearing businesses to the National Financial unit of Fidelity Investments for a price of approximately $365 million. The transaction is subject to standard and customary closing conditions and is expected to close in the first quarter of 2005. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the financial results of the Company's securities clearing businesses are reported as discontinued operations for all periods presented and are not included in the following segment information.

# *Management's* Discussion continued

The following table presents, for the period indicated, certain amounts included in the Company's consolidated statements of income, the relative percentage that those amounts represent to processing and services revenues, and the percentage change in those amounts from year to year. This information should be read along with the consolidated financial statements and notes thereto. This table and the following discussion exclude the revenues and expenses associated with customer reimbursements because management believes that it is not appropriate to include the customer reimbursements in analyzing the current performance of the Company as these balances offset in revenues and expenses with no impact on operating income and these amounts are not an indicator of current or future business trends. Customer reimbursements, which primarily consist of pass-through expenses such as postage and data communication costs, were $379.2 million, $333.3 million and $290.4 million for the years ended December 31, 2004, 2003 and 2002, respectively.

| | Year Ended December 31, *(In millions)* | | | Percent of Processing Revenue Year Ended December 31, | | | Percent Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 | 2004 vs. 2003 | 2003 vs. 2002 |
| PROCESSING AND SERVICES REVENUES: | | | | | | | | |
| Financial | **$2,339.1** | $2,076.4 | $1,759.6 | **70%** | 80% | 84% | 13% | 18% |
| Health | **885.9** | 399.1 | 216.1 | **26%** | 15% | 10% | 122% | 85% |
| Investment | **125.5** | 116.6 | 123.3 | **4%** | 4% | 6% | 8% | (5)% |
| TOTAL | **$3,350.6** | $2,592.1 | $2,099.0 | **100%** | 100% | 100% | 29% | 23% |
| COST OF REVENUES: | | | | | | | | |
| Salaries, commissions and payroll related costs | **$1,320.8** | $1,222.7 | $1,053.9 | **39%** | 47% | 50% | 8% | 16% |
| Data processing costs and equipment rentals | **212.1** | 205.6 | 153.2 | **6%** | 8% | 7% | 3% | 34% |
| Prescription costs | **439.6** | 55.9 | – | **13%** | 2% | – | 686% | – |
| Other operating expenses | **533.3** | 420.3 | 323.2 | **16%** | 16% | 15% | 27% | 30% |
| Depreciation and amortization | **185.4** | 165.8 | 134.4 | **6%** | 6% | 6% | 12% | 23% |
| TOTAL | **$2,691.0** | $2,070.3 | $1,664.7 | **80%** | 80% | 79% | 30% | 24% |
| OPERATING INCOME: | | | | | | | | |
| Financial(1) | **$563.6** | $457.8 | $383.4 | **24%** | 22% | 22% | 23% | 19% |
| Health(1) | **75.4** | 47.5 | 32.4 | **9%** | 12% | 15% | 59% | 46% |
| Investment(1) | **20.6** | 16.6 | 18.5 | **16%** | 14% | 15% | 24% | (10)% |
| TOTAL | **$659.6** | $521.8 | $434.3 | **20%** | 20% | 21% | 26% | 20% |

*(1) Percent of segment revenues is calculated as a percent of the Financial, Health and Investment segment's processing and services revenues.*

# Management's Discussion continued

## INTERNAL REVENUE GROWTH »

Internal revenue growth percentages are measured as the increase or decrease in total processing and services revenues for the current period less "acquired revenue from acquisitions" divided by total processing and services revenues from the prior year period plus "acquired revenue from acquisitions." "Acquired revenue from acquisitions" represents pre-acquisition normalized revenue of acquired companies, less dispositions, for the comparable prior year periods. Internal revenue growth percentage is a non-GAAP financial measure that the Company believes is useful to investors because it provides a breakdown of internal and acquisition-related revenue growth. The following table sets forth the calculation of internal revenue growth percentages:

| | Year Ended December 31, (In millions) | | | | Year Ended December 31, (In millions) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | Increase (Decrease) | 2004 Internal Growth % | 2003 | 2002 | Increase (Decrease) | 2003 Internal Growth % |
| **TOTAL COMPANY:** | | | | | | | | |
| Processing and services revenues | $3,350.6 | $2,592.1 | $758.5 | | $2,592.1 | $2,099.0 | $493.1 | |
| Acquired revenue from acquisitions | | 456.0 | (456.0) | | | 359.4 | (359.4) | |
| Adjusted revenues | $3,350.6 | $3,048.1 | $302.5 | 10% | $2,592.1 | $2,458.4 | $133.7 | 5% |
| **BY SEGMENT:** | | | | | | | | |
| **FINANCIAL** | | | | | | | | |
| Processing and services revenues | $2,339.1 | $2,076.4 | $262.7 | | $2,076.4 | $1,759.6 | $316.8 | |
| Acquired revenue from acquisitions | | 206.1 | (206.1) | | | 270.8 | (270.8) | |
| Adjusted revenues | $2,339.1 | $2,282.5 | $ 56.6 | 2% | $2,076.4 | $2,030.4 | $ 46.0 | 2% |
| **HEALTH** | | | | | | | | |
| Processing and services revenues | $ 885.9 | $ 399.1 | $486.9 | | $ 399.1 | $ 216.1 | $ 182.9 | |
| Acquired revenue from acquisitions | | 249.9 | (249.9) | | | 88.5 | (88.5) | |
| Adjusted revenues | $ 885.9 | $ 649.0 | $237.0 | 37% | $ 399.1 | $ 304.6 | $ 94.4 | 31% |
| **INVESTMENT** | | | | | | | | |
| Processing and services revenues | $ 125.5 | $ 116.6 | $ 8.9 | 8% | $ 116.6 | $ 123.3 | $ (6.6) | (5)% |

# *Management's* Discussion continued

## PROCESSING AND SERVICES REVENUES »

Total processing and services revenues increased $758.5 million, or 29%, in 2004 compared to 2003 and $493.1 million, or 23%, in 2003 compared to 2002. The internal revenue growth rate was 10% in 2004 and 5% in 2003 with the remaining growth resulting from acquisitions in the Financial and Health segments. Overall internal revenue growth was primarily derived from sales to new clients, cross-sales to existing clients and increases in transaction volumes from existing clients. The increase in the internal revenue growth rate in 2004 to 10% from 5% in 2003 was primarily driven by strong internal revenue growth in the Health segment.

The Financial segment had revenue growth of $262.7 million, or 13%, in 2004 compared to 2003 and $316.8 million, or 18%, in 2003 compared to 2002. The internal revenue growth rate in the Financial segment was 2% in both 2004 and 2003 with the remaining growth resulting from acquisitions. The Financial segment's businesses generally enter into three to five year contracts with its customers that contain early contract termination fees. The internal revenue growth rate in this segment was positively impacted by approximately 1% in 2004 compared to 2003, due to an increase of $27 million in revenue associated with one-time early contract termination and assignment fees. Approximately $13 million of the increase in one-time fees in 2004 was due to one large contract assignment fee and one contract terminated early in the contract term caused by a customer being acquired by another financial institution. The internal revenue growth rate in 2004 was negatively impacted by approximately 1% due to the loss of an item processing customer announced in 2003.

The Health segment had revenue growth of $486.9 million, or 122%, in 2004 compared to 2003 and $182.9 million, or 85%, in 2003 compared to 2002. Total revenue growth in 2004 for this segment was positively impacted by an increase of $383.7 million related to the inclusion in revenues and cost of revenues of the prescription ingredient cost in the pharmacy services businesses. The Company entered the pharmacy services business in the second quarter of 2003. The average operating margins of the Company's pharmacy services businesses are in the mid single digits. The internal revenue growth rate in this segment for 2004 was 37% and for 2003 was 31% with the remaining growth resulting from acquisitions.

Revenue in the Investment segment increased by $8.9 million, or 8%, in 2004 compared to 2003 and decreased by $6.6 million, or 5%, in 2003 compared to 2002. During 2004, new customer sales and an increase in assets under administration resulted in an increase in trust administration fees. In addition, the combination of increased investments and rising interest rates increased investment income in 2004.

## COST OF REVENUES »

Cost of revenues increased $620.7 million, or 30%, in 2004 compared to 2003 and $405.6 million, or 24%, in 2003 compared to 2002. As a percentage of processing and services revenues, cost of revenues were 80% in 2004 and 2003, and 79% in 2002. The make up of cost of revenues each year has been affected by business acquisitions and significantly impacted by changes in the mix of the Company's business.

As a percentage of processing and services revenues, salaries, commissions and payroll related costs were 39% in 2004, 47% in 2003 and 50% in 2002, and data processing costs and equipment rentals were 6% in 2004, 8% in 2003, and 7% in 2002. The decline in salaries, commissions and payroll related costs and data processing costs and equipment rentals as a percentage of revenue from 2003 to 2004 was primarily the result of the revenue growth of $486.9 million in the Health segment in 2004, primarily driven by the pharmacy services businesses. The pharmacy services businesses' revenue growth contributed to a significant increase of prescription costs of $383.7 million. The increase in prescription costs as a percentage of processing and services revenue in 2004 resulted in a decrease in these other expense categories as a percentage of processing and services revenue.

As a percentage of processing and services revenues, other operating expenses were 16% in 2004 and 2003, and 15% in 2002. Other operating expenses as a percentage of processing and services revenues were relatively consistent year over year as the impact of the prescription ingredient costs mentioned previously was offset by the impact of acquisitions in the Financial segment, which have a higher proportion of other operating expenses, primarily third party contractor costs, than other expense categories.

# *Management's* Discussion continued

## OPERATING INCOME »

Operating income increased $137.7 million, or 26%, in 2004 compared to 2003 and $87.5 million, or 20%, in 2003 compared to 2002. The operating income increase in 2004 compared to 2003 was primarily derived from the Financial segment which increased operating income $105.9 million in 2004 compared to 2003 and the Health segment which increased operating income $27.9 million in 2004 compared to 2003.

Operating margins in the Financial segment were 24% in 2004 and 22% in 2003 and 2002. The increase in operating margins in 2004 compared to 2003 in the Financial segment was primarily due to continued operating efficiencies and the impact of increased one-time termination and assignment fees of $27 million which increased operating margins by approximately 1%.

Operating margins in the Health segment were 9% in 2004, 12% in 2003 and 15% in 2002. The decrease in operating margins in the Health segment in 2004 compared to 2003 and 2002 was due to the significant growth in the pharmacy services businesses, which generate operating margins in the mid single digits as previously discussed.

Operating margins in the Investment segment were 16% in 2004, 14% in 2003 and 15% in 2002. Operating margins increased by 2% over 2003 primarily due to increased trust administration fees and investment income, and the completion of the Investment support services operations consolidation to one technology platform and into one location.

## DISCONTINUED OPERATIONS »

The net loss from discontinued operations was $17.3 million for the year ended December 31, 2004, or $(0.09) per share, compared to net income from discontinued operations of $6.2 million, or $0.03 per share, for the year ended December 31, 2003. The increased loss in 2004 was primarily due to a charge of $16 million, or $(0.07) per share, related to inquiries from the Securities Exchange Commission as part of its industry-wide review of mutual fund practices, including market timing and late trading. The Company's broker-dealer subsidiary, Fiserv Securities, Inc. ("FSI"), has engaged in settlement discussions with the SEC as a result of an SEC investigation of FSI with respect to these matters. A portion of any settlement amount with the SEC may be non-deductible for tax purposes. While no settlement with the SEC has been reached and no assurance can be given that these matters will be settled consistent with the amounts reserved, the Company does not anticipate any further material liability arising out of the SEC investigation (see Notes 3 and 7).

## INCOME TAX PROVISION »

The effective income tax rate on continuing operations was 38.4% in 2004 and 39.0% in 2003 and 2002. The decrease in the 2004 tax rate of 0.6% was primarily due to tax benefits associated with recently enacted federal tax law changes that impacted the utilization of foreign tax credits. The income tax rate on continuing operations for 2005 is expected to be 38.7%.

## NET INCOME PER SHARE - DILUTED »

Net income per share-diluted for 2004 was $1.91 compared to $1.61 in 2003 and $1.37 in 2002. Net income per share-diluted from continuing operations for 2004 was $2.00 compared to $1.58 in 2003 and $1.33 in 2002. The $2.00 in net income from continuing operations per share for 2004 was positively impacted by approximately $0.08 per share, compared to 2003, due to an increase of $27 million in one-time early termination and assignment fees in our Financial segment discussed previously.

The Company's growth has been accomplished, to a significant degree, through the acquisition of businesses that are complementary to its operations. Management believes that a number of acquisition candidates are available that would further enhance the Company's 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.

# *Management's* Discussion continued

## LIQUIDITY AND CAPITAL RESOURCES »

Free cash flow is measured as net cash provided by operating activities from continuing operations less capital expenditures including capitalization of software costs for external customers, as reported in the Company's consolidated statements of cash flows. Free cash flow is a non-GAAP financial measure that the Company believes is useful to investors because it provides another measure of available cash flow after the Company has satisfied the capital requirements of its operations. The following table summarizes free cash flow for the Company during the years ended December 31:

| *(In millions)* | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net cash provided by operating activities from continuing operations | $698.4 | $595.7 | $481.1 |
| Capital expenditures, including capitalization of software costs for external customers | (161.1) | (139.1) | (137.1) |
| Free cash flow | $537.3 | $456.6 | $344.0 |

Free cash flow increased by $80.7 million, or 18%, in 2004 compared to 2003 primarily due to an increase in net income. In 2004, the Company primarily used its free cash flow of $537.3 million to repay long-term debt of $210.2 million, to repurchase $64.3 million of stock and to build cash balances.

Long-term debt includes $195.0 million borrowed under the Company's $700.0 million credit and commercial paper facility, which is comprised of a $465.3 million five-year revolving credit facility due in 2009 and a $234.7 million 364-day revolving credit facility, which is renewable annually through 2009. The Company must, among other requirements, maintain a minimum net worth of $1.8 billion as of December 31, 2004, and limit its total debt to no more than three and one-half times the Company's earnings before interest, taxes, depreciation and amortization. At December 31, 2004, the Company had $505.3 million of long-term debt, while shareholders' equity was $2.6 billion. The Company was in compliance with all covenants throughout 2004.

At December 31, 2004, the Company had operating lease commitments for office facilities and equipment aggregating $411.3 million, of which $85.7 million will be incurred in 2005. The Company believes that its cash flow from operations together with other available sources of funds will be adequate to meet its operating requirements, debt repayments, contingent payments in connection with business acquisitions and ordinary capital spending needs. At December 31, 2004, the Company had $503.8 million available for borrowing and $516.1 million in cash and cash equivalents. In the event that the Company makes significant future acquisitions, however, it may raise funds through additional borrowings or the issuance of securities.

The Company's current policy is to retain earnings to support future business opportunities, rather than to pay dividends. During 1999, the Company's Board of Directors authorized the repurchase of up to 4.9 million shares of the Company's common stock, which the Company fully utilized by December 31, 2004. In 2004, the Company's Board of Directors authorized the repurchase of an additional 8.3 million shares of the Company's common stock. Shares purchased under the authorization are made through open market transactions as market conditions warrant. Shares acquired have historically been held for issuance in connection with acquisitions and employee stock option and purchase plans. During 2004, the Company repurchased 1.7 million shares for $64.3 million to complete the 1999 Board authorization. As of December 31, 2004, approximately 8.3 million shares from the 2004 authorization remained available under the repurchase authorization.

## OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS »

The Company does not have any material off-balance sheet arrangements. The following table details certain of the Company's contractual cash obligations at December 31, 2004:

| *(In millions)* | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Long-term debt | $ 505.3 | $ 47.5 | $ 7.8 | $450.1 | – |
| Minimum operating lease payments | 411.3 | 85.7 | 133.7 | 86.1 | $105.8 |
| Short-term debt | 100.0 | 100.0 | – | – | – |
| Purchase obligations | 9.1 | 4.9 | 2.4 | 1.8 | – |
| TOTAL | $1,025.6 | $238.1 | $143.9 | $538.0 | $105.8 |

# *Selected* Financial Data »

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

| *(In thousands, except per share data)* YEARS ENDED DECEMBER 31, | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|
| Processing and services revenues | $3,350,595 | $2,592,115 | $2,099,038 | $1,761,625 | $1,473,123 |
| Income from continuing operations | 394,898 | 308,823 | 259,331 | 198,676 | 130,224 |
| Income (loss) from discontinued operations | (17,256) | 6,189 | 6,806 | 9,541 | 46,797 |
| Net income | 377,642 | 315,012 | 266,137 | 208,217 | 177,021 |
| Basic net income (loss) per share: | | | | | |
| Continuing operations | $2.03 | $1.60 | $1.36 | $1.06 | $0.71 |
| Discontinued operations | (0.09) | 0.03 | 0.04 | 0.05 | 0.25 |
| TOTAL | $1.94 | $1.63 | $1.39 | $1.11 | $0.96 |
| Diluted net income (loss) per share: | | | | | |
| Continuing operations | $2.00 | $1.58 | $1.33 | $1.04 | $0.69 |
| Discontinued operations | (0.09) | 0.03 | 0.03 | 0.05 | 0.24 |
| TOTAL | $1.91 | $1.61 | $1.37 | $1.09 | $0.93 |
| Total assets | $8,383,349 | $7,214,175 | $6,438,705 | $5,322,242 | $5,586,320 |
| Long-term debt | 505,327 | 699,116 | 482,824 | 343,093 | 334,958 |
| Shareholders' equity | 2,564,422 | 2,199,808 | 1,827,669 | 1,604,826 | 1,252,072 |

*Note: The above information excludes the revenues and expenses associated with customer reimbursements recorded in accordance with EITF No. 01-14. Operating results have been restated to include all activities related to the securities clearing businesses in discontinued operations for all periods presented.*

# *Market* Price Information »

The following information relates to the high and low sales price of the Company's common stock, which is traded on the Nasdaq Stock Market under the symbol FISV.

| | 2004 | | 2003 | |
|---|---|---|---|---|
| Quarter Ended | High | Low | High | Low |
| March 31 | $40.61 | $35.02 | $36.25 | $27.23 |
| June 30 | 41.00 | 34.10 | 37.51 | 28.64 |
| September 30 | 39.05 | 32.20 | 40.77 | 35.30 |
| December 31 | 41.01 | 33.28 | 40.00 | 32.87 |

At December 31, 2004, the Company's common stock was held by 11,169 shareholders of record. It is estimated that an additional 55,800 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 31, 2005 was $38.25 per share.

# *Quarterly* Financial Information (Unaudited) »

| | Quarters | | | | |
|---|---|---|---|---|---|
| *(In thousands, except per share data)* | First | Second | Third | Fourth | Total |
| **2004** | | | | | |
| Processing and services revenues | **$811,556** | **$829,842** | **$843,095** | **$866,102** | **$3,350,595** |
| Cost of revenues | **650,218** | **667,930** | **669,397** | **703,490** | **2,691,035** |
| Operating income | **161,338** | **161,912** | **173,698** | **162,612** | **659,560** |
| Interest expense - net | **(4,732)** | **(4,486)** | **(4,395)** | **(4,581)** | **(18,194)** |
| Income from continuing operations before income taxes | **156,606** | **157,426** | **169,303** | **158,031** | **641,366** |
| Income tax provision | **60,897** | **61,331** | **65,008** | **59,232** | **246,468** |
| Income from continuing operations | **95,709** | **96,095** | **104,295** | **98,799** | **394,898** |
| Loss from discontinued operations, net of tax | **(2,911)** | **(1,061)** | **(11,938)** | **(1,346)** | **(17,256)** |
| Net income | **$ 92,798** | **$ 95,034** | **$ 92,357** | **$ 97,453** | **$ 377,642** |
| Basic net income (loss) per share: | | | | | |
| Continuing operations | **$0.49** | **$0.49** | **$0.53** | **$0.51** | **$2.03** |
| Discontinued operations | **(0.01)** | **(0.01)** | **(0.06)** | **(0.01)** | **(0.09)** |
| TOTAL | **$0.48** | **$0.49** | **$0.47** | **$0.50** | **$1.94** |
| Diluted net income (loss) per share: | | | | | |
| Continuing operations | **$0.49** | **$0.49** | **$0.53** | **$0.50** | **$2.00** |
| Discontinued operations | **(0.01)** | **(0.01)** | **(0.06)** | **(0.01)** | **(0.09)** |
| TOTAL | **$0.47** | **$0.48** | **$0.47** | **$0.49** | **$1.91** |

| | Quarters | | | | |
|---|---|---|---|---|---|
| *(In thousands, except per share data)* | First | Second | Third | Fourth | Total |
| **2003** | | | | | |
| Processing and services revenues | $580,578 | $616,816 | $673,935 | $720,786 | $2,592,115 |
| Cost of revenues | 457,123 | 487,178 | 541,109 | 584,883 | 2,070,293 |
| Operating income | 123,455 | 129,638 | 132,826 | 135,903 | 521,822 |
| Interest expense - net | (2,977) | (3,474) | (4,472) | (4,632) | (15,555) |
| Income from continuing operations before income taxes | 120,478 | 126,164 | 128,354 | 131,271 | 506,267 |
| Income tax provision | 46,987 | 49,203 | 50,058 | 51,196 | 197,444 |
| Income from continuing operations | 73,491 | 76,961 | 78,296 | 80,075 | 308,823 |
| Income from discontinued operations, net of tax | 697 | 1,477 | 2,116 | 1,899 | 6,189 |
| Net income | $ 74,188 | $ 78,438 | $ 80,412 | $ 81,974 | $ 315,012 |
| Basic net income per share: | | | | | |
| Continuing operations | $0.38 | $0.40 | $0.40 | $0.41 | $1.60 |
| Discontinued operations | – | 0.01 | 0.01 | 0.01 | 0.03 |
| TOTAL | $0.39 | $0.41 | $0.42 | $0.42 | $1.63 |
| Diluted net income per share: | | | | | |
| Continuing operations | $0.38 | $0.39 | $0.40 | $0.41 | $1.58 |
| Discontinued operations | – | 0.01 | 0.01 | 0.01 | 0.03 |
| TOTAL | $0.38 | $0.40 | $0.41 | $0.42 | $1.61 |

*Note: The above information excludes the revenues and expenses associated with customer reimbursements recorded in accordance with EITF No. 01-14. Results have been restated to include all activities related to the securities clearing businesses in discontinued operations for all periods presented.*

# *Report* of Independent Registered Public Accounting Firm »

SHAREHOLDERS AND DIRECTORS OF FISERV, INC.

We have audited the accompanying consolidated balance sheets of Fiserv, Inc. and subsidiaries ("the Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2004. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Fiserv, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 7, 2005 expressed an unqualified opinion on management's assessment of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Deloitte & Touche LLP
*Milwaukee, Wisconsin*
*February 7, 2005*

# *Management's* Annual Report on Internal Control over Financial Reporting »

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our management's assessment, our management believes that, as of December 31, 2004, our internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm has issued their attestation report on our assessment of our internal control over financial reporting. The independent registered public accounting firm report appears on page 45.

# *Report* of Independent Registered Public Accounting Firm »

SHAREHOLDERS AND DIRECTORS OF FISERV, INC.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that Fiserv, Inc. and subsidiaries (the "Company") maintained effective control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in *Internal Control - Integrated Framework* issued by the COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control - Integrated Framework* issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2004 of the Company and our report dated February 7, 2005, expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
*Milwaukee, Wisconsin*
*February 7, 2005*

# *Board* of Directors »

**Donald F. Dillon**
64, Chairman of the Board of Directors of Fiserv, Inc. With more than 35 years in the financial and data processing businesses, Mr. Dillon has served on the Fiserv Board since 1995.

**Kenneth R. Jensen**
61, Senior Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of Fiserv, Inc. With more than 40 years in the data processing industry, Mr. Jensen has served as a Director since 1984.

**Daniel P. Kearney**
65, Financial Consultant. With more than 30 years in the banking, insurance and legal professions, Mr. Kearney has served as a Director since 1999.

**Gerald J. Levy**
72, Lead Director, Fiserv, Inc.; Chairman of the Board of Guaranty Bank, S.S.B. With over 40 years experience in the financial and business arenas, Mr. Levy has served as a Director since 1986.

**Leslie M. Muma**
60, President and Chief Executive Officer of Fiserv, Inc. With more than 35 years in the data processing industry, Mr. Muma has served as a Director since 1984.

**Glenn M. Renwick**
49, President and Chief Executive Officer of the Progressive Corporation. With more than 15 years in the insurance industry, Mr. Renwick has served as a Director since 2001.

**Kim M. Robak**
49, Partner at Ruth, Mueller & Robak, LLC. With more than 20 years of experience in the fields of law, education and public service, Ms. Robak joined the Fiserv Board in 2003.

**L. William Seidman**
83, Chief Commentator for CNBC-TV, Publisher of *Bank Director* and *Board Member* magazines, and Industry Consultant. With more than 45 years in the business, financial and political arenas, Mr. Siedman has served as a Director since 1992.

**Thomas C. Wertheimer**
64, Financial Consultant. With more than 35 years in the financial services profession, Mr. Wertheimer joined the Fiserv Board in 2003.

*For complete profiles of the Fiserv Board of Directors, please see the proxy statement.*

# *Executive* Committee »

**Norman J. Balthasar**
58, Senior Executive Vice President and Chief Operating Officer. With more than 35 years in the financial services industry, Mr. Balthasar has been with Fiserv and its predecessor company since 1974.

**Kenneth R. Jensen**
See Board of Directors for profile.

**Leslie M. Muma**
See Board of Directors for profile.

# *Management* Committee »

**Robert H. Beriault**
53, Group President, Investment Support Services. With more than 20 years in the financial services industry, Mr. Beriault has been with Fiserv since 1995.

**James W. Cox**
41, Group President, Fiserv Health. With more than 15 years in the financial services and health administration industries, Mr. Cox has been with Fiserv since 2001.

**Douglas J. Craft**
51, Executive Vice President, Operating Group Chief Financial Officer. With more than 20 years in the financial industry, Mr. Craft has been with Fiserv since 1985.

**Mark J. Damico**
36, Group President, Item Processing. With nearly 15 years in the financial and data processing industries, Mr. Damico has been with Fiserv since 1995.

**Patrick C. Foy**
50, Group President, Bank Servicing. With more than 25 years in the financial services industry, Mr. Foy has been with Fiserv since 2001.

**Michael D. Gantt**
53, Group President, Bank Systems. With nearly 20 years in the financial services industry, Mr. Gantt was with Fiserv from 2000 to 2003 and rejoined the company in 2004.

**Thomas A. Neill**
55, Group President, Credit Union & Industry Products. With nearly 30 years in the financial services industry, Mr. Neill has been with Fiserv since 1993.

**James C. Puzniak**
58, Group President, Lending Solutions. With more than 35 years in the financial services industry, Mr. Puzniak has been with Fiserv since 1993.

**Dean C. Schmelzer**
54, Group President, Marketing & Sales. With nearly 30 years in the data processing industry, Mr. Schmelzer has been with Fiserv since 1992.

**Charles W. Sprague**
55, Executive Vice President, General Counsel & Chief Administrative Officer. With nearly 30 years in the legal profession and the financial services industry, Mr. Sprague has been with Fiserv since 1994.

**Terry R. Wade**
44, Group President, Insurance Solutions. With nearly 20 years in the insurance, technology and outsourcing industries, Mr. Wade has been with Fiserv since 2003.

# *Executive* Leadership »

## BANK SERVICING GROUP

**Jeffrey G. Brandmaier,** 45
President, SourceOne

**Anthony S. Catalfano,** 41
President, Fiserv EFT

**Grant P. Christenson,** 53
Chief Executive Officer, Fiserv EFT

**Paul A. Frank,** 61
President, ePayments

**Max S. Narro,** 42
President, Credit Processing Services

**Michael J. Rigney,** 54
President, Fiserv VISION

## BANK SYSTEMS GROUP

**James T. Cross,** 41
President, Brookfield ITI

**Thomas M. Cypher,** 54
President, Information Technology, Inc.

**Julie Gabelmann,** 49
President, Bank Products Division

**Gregory A. Green,** 45
COO, Fiserv CBS Worldwide Division

**Alexander H. Groenendyk,** 48
President, Fiserv CBS Worldwide Division

**Gary J. Kasik,** 48
President, BANKLINK

**Sam L. Langham,** 47
President, Los Angeles ITI

**James A. Le Van,** 62
President, Glastonbury ITI

**Craig R. Marvin,** 52
President, Des Moines ITI

**Donald J. Phillips,** 56
President, Atlanta ITI

**Regis G. Rapp,** 46
General Manager, Customer Centered Solutions

**David W. Santi,** 44
President, CBS Domestic

**Frank M. Smeal,** 62
President, ITI Outsourcing

**Ronald E. Thompson,** 57
President, Fiserv Imagesoft

**David E. Ulrich,** 48
President, IPS-Sendero

**Michael K. Young,** 49
President, Fiserv ITI Division

## LENDING SOLUTIONS GROUP

**Stuart H. Angert,** 63
Co-President & CEO, RSA Solutions

**Paul E. Brammeier,** 62
President, CredStar

**Kevin J. Collins,** 47
President, LeMans

**Andrew J. Shaevel,** 40
Co-President & CEO, RSA Solutions

**Gerald A. Smith,** 58
Co-CEO, Settlement Services Division

**Richard A. Snedden,** 51
Co-CEO, Settlement Services Division

**John R. Tenuta,** 57
Division President, Loan Management Products

## CREDIT UNION & INDUSTRY PRODUCTS GROUP

**Joseph A. Antellocy,** 45
President, AFTECH

**Joseph A. Barry,** 51
President, Credit Union Eastern Region

**Jeffery S. Butler,** 42
President, IntegraSys

**Dennis L. Connick,** 56
President, CUSA

**Jorge M. Diaz,** 40
President, Personix

**John A. Edwards,** 58
President, XP Systems

**Richard P. Fitzgerald,** 55
President, Fiserv Document Solutions

**Pedro E. Kaufmann,** 46
President, EPSIIA

**Roger L. Kuhns,** 57
President, Credit Union Western Region

**Timothy M. Milz,** 42
President, GalaxyPlus

**John N. Schooler,** 50
President, USERS

**Kevin L. Sparks,** 48
President, Summit

## INSURANCE SOLUTIONS GROUP

**Craig J. Faulkner,** 51
President, Emerald Publications

**William E. Jerro,** 33
President, ReliaQuote

**P. Michael Jones,** 55
President, Flood Insurance Division

**Robert Meyerson,** 58
President, Fiserv FSC

**Anthony T. Perdichezzi,** 57
President, Fiserv Insurance Solutions

**John M. Schobel,** 56
President, RegEd

## SECURITIES & INVESTMENT SUPPORT SERVICES GROUP

**Walter J. Koller,** 40
President, Securities

**D. Terry Reitan,** 58
President, Investment Support Services

**Nancy M. Sympson,** 52
President & CEO, TradeStar Investments, Inc., Fiserv Investor Services, Inc.

## ITEM PROCESSING GROUP

**Kenneth R. Acheson,** 56
President, Fiserv Solutions of Canada & INTRIA Items, Inc.

**Donald T. Bauernfeind,** 41
President, CheckAGAIN, LLC

**Therese K. Carstensen,** 49
President IP Operations Western Region, Item Processing Service Bureau Operations

**Frank E. Eisel, Jr.,** 47
President, IP Operations Rocky Mountain Region, Item Processing Service Bureau Operations

**Richard J. Franas,** 56
President, JPM Chase Operations

**Guy J. Fries,** 47
President, IP Operations Southern Region, Item Processing Service Bureau Operations

**W. David Hamilton,** 53
President, IP Operations Midwest Region, Item Processing Service Bureau Operations

**Norman S. Himes,** 61
President, IP Operations Mid-Atlantic Region, Item Processing Service Bureau Operations

**Robert F. McPherson,** 58
President, IP Operations Northern Region, Item Processing Service Bureau Operations

**Anna M. Quinlan,** 53
President, RemitStream Solutions

**Thomas R. Taylor,** 57
EVP, Item Processing Technology & Support Operations

**Kenneth P. True,** 40
President, Northern Trust Operations

**Stephen J. Ward,** 52
EVP, Fiserv Item Processing; EVP Market Development

## FISERV HEALTH GROUP

**Jay M. Anliker,** 43
President, Wausau Benefits

**Rita M. Ayers,** 48
President, DirectComp Rx

**Mark Campbell,** 43
President, Innoviant

**Joseph A. Hensley,** 50
Division President

**William A. Howard,** 50
Executive Vice President

**Joseph J. McCann,** 44
President, Innoviant Pharmacy

**Jeffrey D. Mills,** 45
President, Harrington Benefits

**Elaine H. Mischler, M.D.,** 61
Chief Medical Officer

**Alfred P. Moore,** 59
Executive Vice President

**James R. Petrich,** 51
President, Fiserv Health Kansas; President, Fiserv Health Tennessee

**Omar Rodriguez,** 46
President, Benefit Planners

**J. R. Thompson,** 48
President, Third Party Solutions

**Bryan L. Troyer,** 40
President, Benesight

**John D. Weymer,** 53
President, Avidyn Health

## CORPORATE MANAGEMENT

**Brian D. Brunner,** 48
Division President, Bank Sales

**Jack P. Bucalo,** 66
Corporate SVP, Human Resources, Management Development & Service Excellence

**Christina Slemon-Dokos,** 49
Corporate SVP, Marketing

**Thomas J. Hirsch,** 41
Corporate SVP, Controller

**Daniel F. Murphy,** 55
Corporate SVP, Director of Audit

**Jeffrey Perzan,** 44
Corporate SVP, Deputy General Counsel

**Daniel C. Pyzik,** 52
Corporate SVP, Telecommunications

**Thomas E. Wachtl,** 51
Corporate SVP, Product and Technologies

**Nancy H. Wedelstaedt,** 40
Corporate SVP, Tax

# *Corporate* Information »

## CORPORATE HEADQUARTERS »

Fiserv, Inc.
255 Fiserv Drive
Brookfield, WI 53045
(262) 879-5000

## WEB SITE »

http://www.fiserv.com

## INVESTOR RELATIONS »

(800) 425-FISV

## SHAREHOLDER INFORMATION »

Copies of the company's 10-K and 10-Q reports as filed with the Securities and Exchange Commission are available on request from the company.

Visit our Web site, www.fiserv.com, for updated news releases, stock performance, financial reports, conference call Webcasts, SEC filings, corporate governance and other investor information.

## ANNUAL SHAREHOLDERS' MEETING »

The 2005 Annual Meeting of Shareholders of Fiserv, Inc. will be held on Wednesday, April 6, 2005 at 10 a.m. Central Time at the Fiserv Corporate Headquarters, 255 Fiserv Drive, Brookfield, Wisconsin.

## STOCK LISTING AND SYMBOL »

Nasdaq National Market System
Symbol: FISV

## TRANSFER AGENT »

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## INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS »

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