

TOTAL SYSTEM SERVICES INC
Form 10-K
February 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

for the fiscal year ended December 31, 2012

Commission file number 1-10254

TOTAL SYSTEM SERVICES, INC.

(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction of incorporation or organization)	58-1493818 (I.R.S. Employer Identification No.)
One TSYS Way Columbus, Georgia (Address of principal executive offices)	31901 (Zip Code)
(Registrant's telephone number, including area code) (706) 649-2310	

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES NO

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of June 30, 2012, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$4,372,878,000 based on the closing sale price as reported on the New York Stock Exchange.

As of February 20, 2013, there were 186,586,846 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Incorporated Documents

Portions of the Annual Report to Shareholders for the year ended December 31, 2012 (Annual Report)

Portions of the 2013 Proxy Statement for the Annual Meeting of Shareholders to be held April 30, 2013 (Proxy Statement)

Form 10-K Reference Locations

Parts I, II, III and IV

Part III

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PART I

Safe Harbor Statement

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

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

Item 1. Business

Business. Based in Columbus, Georgia, and traded on the New York Stock Exchange under the symbol TSS, we are a global payment solutions provider that provides services to financial and nonfinancial institutions. The services we provide are divided into three operating segments, North America Services, which accounted for 51% of our revenues in 2012, International Services, which accounted for 22% of our revenues in 2012, and Merchant Services, which accounted for 27% of our revenues in 2012.

Seasonality. Due to the somewhat seasonal nature of the credit card industry, our revenues and results of operations have generally increased in the fourth quarter of each year because of increased transaction and authorization volumes during the traditional holiday shopping season.

Intellectual Property. Our intellectual property portfolio is a component of our ability to be a leading electronic payment services provider. We diligently protect and work to build our intellectual property rights through patent, servicemark and trade secret laws. We also use various licensed intellectual property to conduct our business. In addition to using our intellectual property in our own operations, we grant licenses to certain of our clients to use our intellectual property.

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Major Customers. A significant amount of our revenues is derived from long-term contracts with large clients. The loss of one of our large clients could have a material adverse effect on our financial position, results of operations and cash flows. See Major Customer and Operating Segments under the Financial Review Section on pages 13 through 16, and Note 22 on pages 59 through 61 of the Annual Report which are incorporated in this document by reference.

Competition. We encounter vigorous competition in providing electronic payment services from several different sources. TSYS core business is derived from third-party processing for issuers and merchant acquirers. Most of the national market in third party processors is presently being provided by approximately three vendors. We believe that as of December 31, 2012 we are the largest third party card processor in the United States. In addition, we compete with banks and acquirers who choose to process payments in house through proprietary systems and with software vendors which provide their products to institutions which process in house. We are presently encountering, and in the future anticipate continuing to encounter, substantial competition from data processing, bankcard computer service firms and third-party software vendors within the United States and from certain international processors, in-country providers and third-party software vendors with respect to our International Services segment. In addition, payments networks such as Visa, MasterCard and Discover are increasingly offering products and services that compete with our products and services.

Based upon available market share data that includes cards processed in house, we believe that during 2012 we provided issuer processing services for 18% of the domestic consumer credit card accounts in market, 56% of the domestic commercial credit card accounts in market, 84% of the Canadian credit card accounts in market and 16% of credit card accounts in TSYS Home European Markets (UK, Ireland, Netherlands, Italy and Germany). With respect to the Merchant Services Segment, we provide third party processing services to merchant acquirers and Independent Sales Organizations (ISOs) and we are also direct merchant acquirer. We believe that we are the second largest processor of merchant accounts and process transactions for approximately 21% of all bankcard accepting merchant locations in the United States. Our direct merchant acquirer business is ranked as the 10th largest merchant acquirer by dollar volume according to *The Nilson Report* dated March 2012.

Our major competitor in the card processing industry is First Data Resources, LLC, a wholly owned subsidiary of First Data Corporation, which provides card processing services. The principal methods of competition between us and First Data Resources are price, system performance and reliability, breadth of features and functionality, disaster recovery capabilities and business continuity preparedness, data security, scalability and flexibility of infrastructure and servicing capability. Other affiliates of First Data Corporation also compete with us with respect to the provision of merchant services.

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Backlog of Accounts. As of December 31, 2012, we had a pipeline of approximately 27 million net accounts which are expected to be converted by December 31, 2013 and approximately 76 million net accounts which are expected to be converted by September 30, 2014.

Regulation and Examination. Government regulation affects key aspects of our business, in the U.S. as well as internationally. We are subject to examination by the Federal Financial Institutions Examination Council, an interagency body comprised primarily of federal banking regulators, and also subject to examination by the various state financial regulatory agencies which supervise and regulate the financial institutions for which we provide electronic payment processing services. Matters reviewed and examined by these federal and state financial institution regulatory agencies have included our internal controls in connection with our present performance of electronic payment processing services, and the agreements pursuant to which we provide such services. In addition, we are registered with Visa, MasterCard, American Express and the Discover Network as a service provider and are subject to their respective rules.

Aspects of our business are also subject, directly or indirectly, to privacy regulation in the United States, the European Union and elsewhere. For example, in the United States, we and our financial institution clients are respectively subject to the Federal Trade Commission's and the federal banking regulators' privacy and information safeguarding requirements under the Gramm-Leach-Bliley Act. These requirements limit the manner in which personal information may be collected, stored, used and disclosed. The Federal Trade Commission's information safeguarding rules require us to develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate for our size and complexity, the nature and scope of our activities and the sensitivity of any customer information at issue. Our financial institution clients in the United States are subject to similar requirements under the guidelines issued by the federal banking regulators. As part of their compliance with these requirements, each of our U.S. financial institution clients is expected to have a program in place for responding to unauthorized access to, or use of, customer information that could result in substantial harm or inconvenience to customers.

As are all U.S. persons, we are subject to regulations imposed by the U.S. Treasury Office Department of Foreign Assets Control (OFAC) which prohibit or restrict financial and other transactions with specified countries and designated individuals and entities such as terrorists and narcotics traffickers. We have procedures and controls in place which are designed to protect against having direct business dealings with such prohibited countries, individuals or entities. We also have procedures and controls in place which are designed to allow our processing clients to protect against having direct business dealings with such prohibited countries, individuals or entities. However, due to the complexity of the payments systems to which our clients belong, such as MasterCard and Visa, it is possible our computer systems may be used in the processing of transactions involving countries or parties subject to OFAC administered sanctions.

We and the rest of the financial services industry continue to experience increased legislative and regulatory scrutiny, including the enactment of additional legislative and regulatory initiatives such as the Dodd-Frank Wall Street Reform and Consumer Protection Act

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(the Reform Act). This legislation, which provides for significant financial regulatory reform, may have a significant and negative impact on our clients, which could impact TSYS earnings through fee reductions, higher costs (both regulatory and implementation) and new restrictions on our operations. The Reform Act, among other things, provides for the regulation and oversight by the Federal Reserve Board of debit interchange fees that are typically paid by acquirers and charged or received by a payment card network for the purpose of compensating an issuer for its involvement in an electronic debit transaction. As of October 1, 2011, in accordance with the Reform Act, the Federal Reserve Board capped the maximum U.S. debit interchange fee assessed for debit cards issued by large financial institutions at twenty-one cents plus five basis points, before applying a fraud prevention adjustment of up to an additional one cent. It remains difficult to predict the impact that the debit interchange regulations will ultimately have on us, but we do not expect that they will have a significant negative impact on our business.

The Reform Act also created a new Consumer Financial Protection Bureau with responsibility for regulating consumer financial products and services and enforcing most federal consumer protection laws in the area of financial services, including consumer credit. The bureau's future actions may make payment card transactions less attractive to card issuers, including TSYS clients, and thus negatively impact our business. In addition, the Reform Act created a Financial Stability Oversight Council that has the authority to determine whether nonbank financial companies such as TSYS should be supervised by the Federal Reserve Board because they are systemically important to the U.S. financial system. Any such designation would result in increased regulatory burdens on our business.

Employees. As of December 31, 2012, we had approximately 8,600 employees.

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

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

For more information about our business see the Financial Overview Section on pages 5 through 7, the Financial Review Section on pages 7 through 25 and Note 1, Note 2, Note 8, Note 19, Note 22, Note 24 and Note 27 of Notes to Consolidated Financial Statements on pages 31 through 40, pages 42 and 43, pages 54 through 56, pages 59 through 61, pages 62 through 66, and page 67 of the Annual Report which are incorporated in this document by reference.

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Item 1A. Risk Factors

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

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

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

If we do not successfully renew or renegotiate our agreements with our clients, our business will suffer.

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

Economic conditions could adversely affect our business.

A significant portion of our revenues is derived from the number of consumer credit transactions that we process which may be affected by, among other things, overall economic conditions. The payment processing industry depends heavily upon the overall level of

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consumer, business and government spending to support the necessary volume of payment transactions. Any change in economic factors, including a sustained deterioration in general economic conditions or consumer confidence, particularly in the United States or Europe, or increases in interest rates in key countries in which we operate may adversely affect our financial performance by reducing the number of transactions involving credit and debit cards. Future reductions in consumer spending through credit card usage would likely have a material adverse affect on our financial position and results of operations.

Security and privacy breaches of our systems and system failures may damage client relations, our reputation and expose us to financial liability.

The uninterrupted operation of our processing systems and the confidentiality of the client information that resides on our systems is critical to the successful operation of our business. We have security, backup and recovery systems in place, as well as business continuity plans designed to ensure our systems will not be inoperable. However, there is still a risk that a system outage or data loss may occur which would not only damage our reputation but as a result of contractual commitments could also require the payment of penalties to our clients if our systems do not meet certain operating standards. We also have what we believe to be sufficient security around our systems to prevent unauthorized access. An information breach in the system and loss of confidential information could have a longer and more significant impact on our business than a hardware failure. We electronically store personal information, such as credit card numbers and related information, about consumers who are customers of our clients. If we are unable to protect, or our clients perceive that we are unable to protect, the security and privacy of our electronic transactions, our growth could be materially adversely affected. A security or privacy breach or a system failure may:

cause our clients to lose confidence in our services;

harm our reputation;

expose us to financial liability, both as a result of litigation and contractually;

cause us to modify our protective measures which would increase our expenses; and

increase our expenses from potential remediation costs.

Our financial exposure from the items referenced above may either not be insured against or not fully covered through any insurance maintained by us. In addition, our ability to attract and retain clients and employees could be adversely affected to the extent our reputation is damaged. While we believe we use proven applications designed for data security and integrity to process electronic transactions, there can be no assurance that our use of these applications will be sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential client information or our intellectual property or assurance that our use of these applications will be sufficient to address the security and privacy concerns of existing and potential clients.

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The ability to adapt technology to changing industry and customer needs or trends may affect our competitiveness or demand for our products, which may adversely affect our financial results.

The payment processing market in which we compete is subject to rapid and significant technological changes, developing industry standards and changing customer needs and preferences. Also, our customers continue to adopt new technology for business and personal uses. We must anticipate and respond to these industry and customer changes in order to remain competitive. If we are unable to effectively respond to these changes, the competitiveness of and demand for our services will be materially impaired and may result in our services being removed from the payments value chain. Our inability to respond to new competitors and technological advancements could have a material adverse affect on our financial position and results of operations.

The signing of new significant clients is often costly and time consuming and if we are unable to successfully close these sales our financial results may be adversely affected.

We incur significant up-front expenses and expend substantial time, effort and other resources prior to signing significant clients. Potential clients generally conduct detailed evaluations of available processing systems and, after we have expended significant resources educating the potential client on our systems, ultimately may determine not to enter into a contract with us. If we are unsuccessful in signing new clients after expending significant expense, time and resources, it could have an adverse effect on our financial results and divert management's attention from other potential and existing clients. In addition, we incur significant up-front expenses prior to converting a significant client to our processing systems. In the event we enter into a processing contract with a significant client, these expenses will directly affect our earnings results.

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

If consumers do not continue to use credit cards as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, credit cards and debit cards, it could have a material adverse effect on our financial position and results of operations. We believe future growth in the use of credit cards will be driven by the cost, ease-of-use, and quality of products and services offered by credit card companies to consumers and businesses. In order to consistently increase and maintain our profitability, the rate of credit card use among consumers and businesses must continue to grow. Moreover, if there is an adverse development in the credit card industry in general, such as new legislation or regulation that makes it more difficult for our clients to do business, our financial position and results of operations may be adversely affected.

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We may not convert and deconvert client s portfolios as scheduled.

The timing of the conversion of card portfolios of new clients to our processing systems and the deconversion of existing clients to other systems impacts our revenues and expenses. There is no guarantee that conversions and deconversions will occur as scheduled and this may have a material adverse effect on our financial position and results of operations.

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

We have acquired businesses both in the United States and internationally and will continue to explore opportunities for strategic acquisitions in the future. On February 19, 2013, we announced our proposed acquisition of NetSpend Holdings, Inc. (NetSpend). The acquisition and integration of businesses such as NetSpend involve a number of risks. The core risks are in the areas of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration (managing the complex process of integrating the acquired company s people, products, technology and other assets so as to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition). Other risks include the inaccurate assessment of disclosed liabilities, inconsistencies in standards, controls, procedures and policies, including internal control and regulatory requirements under the Sarbanes-Oxley Act of 2002, and personnel turnover. Furthermore, the NetSpend acquisition is subject to customary terms and conditions and may not be completed at all.

The success of the NetSpend acquisition and other future acquisitions will depend, in part, on our ability to realize the anticipated benefits from integrating the acquired business with our existing businesses. The integration process may be complex, costly and time consuming. The process of integrating the operations of NetSpend or any other future acquisition could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. The diversion of management s attention and any delays or difficulties encountered in connection with acquisitions and the integration of the two companies operations could have an adverse effect on our financial position and results of operations.

Following completion of the NetSpend acquisition, we may not be able to maintain the levels of revenue, earnings or operating efficiency that each of TSYS and NetSpend have achieved or might achieve separately. In addition, the success of the NetSpend acquisition will depend, in part, on the combined company s ability to realize the anticipated benefits from the acquisition, including anticipated synergies and costs savings. Furthermore, in order to finance the acquisition of NetSpend, we expect to incur significant amounts of additional debt.

Finally, any international acquisitions often involve additional or increased risks including for example:

managing geographically separated organizations, systems and facilities;

integrating personnel with diverse business backgrounds and organizational cultures;

complying with foreign regulatory requirements;

fluctuations in currency exchange rates;

difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of these new markets; and

general economic and political conditions.

Our business may be adversely affected by risks associated with foreign operations and, as we continue to expand internationally, we may incur higher than anticipated costs and will become more susceptible to these risks.

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

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derived from international operations are subject to risk of loss as a result of social instability and unfavorable political or diplomatic developments which could negatively impact our financial results.

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

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

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

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

The market for payment processing services is intensely competitive. Our competitors vary in size and in the scope and breadth of the services they offer. We face direct competition from third parties, and since certain of our larger potential clients develop their key applications in-house and therefore view their system requirements from a make-versus-buy perspective, we often compete against our potential clients' in-house capacities. In addition, we expect that the markets in which we compete will continue to attract new competitors and new technologies. There can be no assurance that we will be able to compete successfully against current or future competitors or that the competitive pressures we face in the markets in which we operate will not materially adversely affect our financial position and results of operations.

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

There may be changes in the laws, regulations, credit card association rules or other industry standards that affect our operating environment in substantial and unpredictable ways in the U.S. as well as internationally. Changes to statutes, regulations or industry standards, including interpretation and implementation of statutes, regulations or standards, could increase the cost of doing business or affect the competitive balance. Regulation of the payments industry has increased significantly in recent years. Failure to comply with laws, rules and regulations or standards to which we are subject in the U.S. as well as internationally, including

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the card network rules and rules with respect to privacy and information security, may result in the suspension or revocation of a license or registration, the limitation, suspension or termination of service, and the imposition of fines, sanctions or other penalties, which could have a material adverse effect on our financial position and results of operations, as well as damage our reputation. Even if such a change to statutes, regulations or industry standards does not directly apply to us, the effects of such a change on our financial institution clients could result in material, indirect effects on the way we operate or the costs to operate our business and impair the demand for our services amongst our financial institution clients.

We and the rest of the financial services industry continue to experience increased legislative and regulatory scrutiny, including the enactment of additional legislative and regulatory initiatives such as the Dodd-Frank Wall Street Reform and Consumer Protection Act. This legislation provides for significant financial regulatory reform. The Reform Act, among other things, provides for the regulation and oversight by the Federal Reserve Board of debit interchange fees that are typically paid by acquirers and charged or received by a payment card network for the purpose of compensating an issuer for its involvement in an electronic debit transaction. The Reform Act also created a new Consumer Financial Protection Bureau with responsibility for regulating consumer financial products and services and enforcing most federal consumer protection laws in the area of financial services, including consumer credit. The Consumer Financial Protection Bureau recently mandated that supervised financial institutions, including our clients, are required to ensure that their service providers are in compliance with applicable federal consumer laws, which may increase regulatory oversight and our cost of doing business. In addition, the Reform Act created a Financial Stability Oversight Council that has the authority to determine whether nonbank financial companies such as TSYS should be supervised by the Federal Reserve Board because they are systemically important to the U.S. financial system. Any such designation would result in increased regulatory burdens on our business. The overall impact of the Reform Act on TSYS is difficult to estimate. Current and future regulations as a result of the Reform Act may adversely affect our business or operations, directly or indirectly (if, for example, our clients' businesses and operations are adversely affected).

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

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

In order to provide our Visa, MasterCard, American Express and Discover transaction processing services, we must be either a direct participant or be registered as a merchant processor or service provider of Visa, MasterCard, American Express and Discover. Registration as a merchant processor or service provider is dependent upon our being sponsored by member banks of these credit card companies. If our sponsor banks should stop providing sponsorship for

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us, we would need to find another financial institution to provide those services or we would need to attain direct participation, either of which could prove to be difficult and expensive. If we are unable to find a replacement financial institution to provide sponsorship or attain direct participation, we may no longer be able to provide processing services to the affected customers, which would have a material adverse effect on our business and results of operations.

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

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

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

In the event a billing dispute between a cardholder and a merchant is not resolved in favor of the merchant, the transaction is normally charged back to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect such amounts from the merchant's account or reserve account (if applicable), or if the merchant refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse us for a chargeback, we bear the loss for the amount of the refund paid to the cardholder. We may experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our merchants could have a material adverse effect on our financial position and results of operation.

Fraud by merchants or others may adversely affect our financial results.

We have potential liability for fraudulent bankcard transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant knowingly uses a stolen or counterfeit bankcard or card number to record a false sales transaction, processes an invalid bankcard, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeit and fraud. While we have systems and procedures designed to detect and reduce the impact of fraud, we cannot assure the effectiveness of these measures. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud would increase our chargeback liability or other liability. Increases in chargebacks or other liability could have a material adverse effect on our financial position and results of operations.

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Operational failures could harm our business and reputation.

An operational failure in our processing systems could harm our business or cause us to lose clients. Interruptions of service could damage our relationship with clients and could cause us to incur substantial expenses, including those related to the payment of penalties or other liabilities. A prolonged interruption of our services or network could cause us to experience data loss or a reduction in revenue. We may also experience difficulties in installing or integrating our technology on platforms used by our clients. Any significant interruption or delay of service could have a negative impact on our reputation and could cause our present and potential clients to choose another service provider.

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

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

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

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

We are dependent upon the ability and experience of a number of highly skilled technical, management and sales and marketing personnel who have substantial experience with our operations, the rapidly changing transaction processing industry and markets in which we offer our services. It is possible that the loss of the services of one or a combination of our key personnel would have an adverse effect on our operations. Our success also depends on our

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ability to continue to attract, manage and retain additional qualified management and technical personnel. Competition for the best people, particularly those individuals with technology experience, is intense. We cannot guarantee that we will continue to attract or retain such personnel.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2012, we and our subsidiaries owned 15 facilities encompassing approximately 1,449,946 square feet and leased 55 facilities encompassing approximately 768,092 square feet. These facilities are used for operational, sales and administrative purposes.

	Owned Facilities		Leased Facilities	
	Number	Square Footage	Number	Square Footage
North America Services	10	1,350,200	8	213,270
International Services	2	96,368	23	247,265
Merchant Services	3	3,378	24	307,557

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

See Note 1, Note 7, Note 19 and Note 22 of Notes to Consolidated Financial Statements on pages 31 through 40, page 42, pages 54 through 56, and pages 59 through 61 and Operating Expenses and Property and Equipment under the Financial Review Section on page 16 and page 19, respectively, of the Annual Report which are incorporated in this document by reference.

Item 3. Legal Proceedings

See Note 19 of Notes to Consolidated Financial Statements on pages 54 through 56 of the Annual Report which is incorporated in this document by reference.

Item 4. Mine Safety Disclosures

None.

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

The Quarterly Financial Data (Unaudited), Stock Price, Dividend Information Section under the Financial Review Section on page 70, Note 17 of Notes to Consolidated Financial Statements on page 53 and Stock Performance Graph on page 71 of the Annual Report are incorporated in this document by reference. The Stock Performance Graph is incorporated

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herein by reference; however, this information shall not be deemed to be soliciting material or to be filed with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

Item 6. Selected Financial Data

The Selected Financial Data Section which is set forth on page 5 of the Annual Report is incorporated in this document by reference.

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

The Financial Overview and Financial Review Sections which are set forth on pages 5 through 25 of the Annual Report which includes the information encompassed within Management's Discussion and Analysis of Financial Condition and Results of Operations, are incorporated in this document by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk. We are exposed to foreign exchange risk because we have assets, liabilities, revenues and expenses denominated in foreign currencies. These currencies are translated into U.S. dollars at current exchange rates, except for revenues, costs and expenses and net income, which are translated at the average exchange rate for each reporting period. Net exchange gains or losses resulting from the translation of assets and liabilities of our foreign operations, net of tax, are accumulated in a separate section of shareholders' equity entitled accumulated other comprehensive income (loss), net. The amount of other comprehensive (loss) income, net of tax, related to foreign currency translation for the years ended December 31, 2012, 2011 and 2010 was:

(in millions)	2012	2011	2010
Comprehensive income (loss), net of tax	\$ 0.7	\$ 1.1	(\$ 7.5)

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

The following table presents the carrying value of the net assets of our foreign operations in U.S. dollars at December 31, 2012:

(in millions)	December 31, 2012
Europe	\$ 167.1
China	80.1
Cyprus	46.4
Japan	33.7
Malaysia	7.8
Other	6.1

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We record foreign currency translation adjustments associated with other balance sheet accounts. See **Nonoperating Income (Expense)** under the **Financial Review** Section on page 16 of the Annual Report which is incorporated in this document by reference. We maintain several cash accounts denominated in foreign currencies, primarily in Euros and British Pounds Sterling. As we translate the foreign-denominated cash balances into U.S. dollars, the translated cash balance is adjusted upward or downward depending upon the foreign currency exchange movements. The upward or downward adjustment is recorded as a gain or loss on foreign currency translation in our statements of income. As those cash accounts have increased, the upward or downward adjustments have increased. We recorded a net translation loss of approximately \$2.0 million for the year ended December 31, 2012 relating to the translation of foreign denominated balance sheet accounts, most of which were cash. The balance of the foreign-denominated cash accounts subject to risk of translation gains or losses at December 31, 2012 was approximately \$3.4 million, the majority of which is denominated in Euros.

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

The net asset account balance subject to foreign currency exchange rates between the local currencies and the U.S. dollar at December 31, 2012 was \$11.4 million.

The following table presents the potential effect on income before income taxes of hypothetical shifts in the foreign currency exchange rate between the local currencies and the U.S. dollar of plus or minus 100 basis points, 500 basis points and 1,000 basis points based on the net asset account balance of \$11.4 million at December 31, 2012.

(in thousands)	Effect of Basis Point Change					
	Increase in basis point of			Decrease in basis point of		
	100	500	1,000	100	500	1,000
Effect on income before income taxes	\$ 114	570	1,141	(114)	(570)	(1,141)

The foreign currency risks associated with other currencies is not significant.

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

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

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At December 31, 2012	Expected maturity date					
Liabilities	2013	2014	2015	2016	2017	TOTAL
(US\$ Equivalent in millions)						
Long-term Debt:						
Fixed Rate (US)	\$ 19.9	6.8	5.7	0.3		\$ 32.7
Average interest rate	1.50%	1.50%	1.50%	1.50%		1.50%
Variable Rate (US)	\$ 7.5	7.5	11.3	15.0	105	\$ 146.3
Average interest rate	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%
Variable Rate (YEN)	\$		23.2			\$ 23.2
Average interest rate			0.99%			0.99%

Item 8. Financial Statements and Supplementary Data

The Quarterly Financial Data (Unaudited), Stock Price, Dividend Information Section, which is set forth on page 70, and the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Other Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Statements of Changes in Equity, Notes to Consolidated Financial Statements, Report of Independent Registered Public Accounting Firm and Management's Report on Internal Control Over Financial Reporting, which are set forth on pages 26 through 69 of the Annual Report are incorporated in this document by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report as required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on this evaluation, the chief executive officer and chief financial officer concluded that as of December 31, 2012, TSYS' disclosure controls and procedures were designed and effective to ensure that the information required to be disclosed by TSYS in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and were also designed and effective to ensure that the information required to be disclosed in the reports that TSYS files or submits under the Exchange Act is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure.

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Management's Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm.

Management's Report on Internal Control Over Financial Reporting, which is set forth on page 69 of the Annual Report, and Report of Independent Registered Public Accounting Firm, which is set forth on page 68 of the Annual Report, are incorporated in this document by reference.

Changes in Internal Control Over Financial Reporting. No change in our internal control over financial reporting occurred during the fourth fiscal quarter covered by this annual report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

PROPOSALS TO BE VOTED ON PROPOSAL 1: ELECTION OF DIRECTORS,

EXECUTIVE OFFICERS,

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE, and

CORPORATE GOVERNANCE AND BOARD MATTERS Committees of the Board.

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

Item 11. Executive Compensation

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

DIRECTOR COMPENSATION,

EXECUTIVE COMPENSATION Compensation Discussion and Analysis, Compensation Committee Report, Risk Assessment of Compensation Programs and Compensation Tables and Narratives, and

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CORPORATE GOVERNANCE AND BOARD MATTERS Committees of the Board Compensation Committee Interlocks and
Insider Participation.

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

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

Information pertaining to equity compensation plans is contained in Note 15 of Notes to Consolidated Financial Statements on page 48 of the Annual Report and is incorporated in this document by reference.

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

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS, and

PRINCIPAL SHAREHOLDERS.

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, and

CORPORATE GOVERNANCE AND BOARD MATTERS Independence.

Item 14. Principal Accountant Fees and Services

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

AUDIT COMMITTEE REPORT KPMG LLP Fees and Services (excluding the information under the main caption "AUDIT COMMITTEE REPORT"); and Policy on Audit Committee Pre-Approval.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The following consolidated financial statements of TSYS are incorporated in this document by reference from pages 26 through 69 of the Annual Report.

Consolidated Balance Sheets - December 31, 2012 and 2011.

Consolidated Statements of Income - Years Ended December 31, 2012, 2011 and 2010.

Consolidated Statements of Other Comprehensive Income - Years Ended December 31, 2012, 2011 and 2010.

Consolidated Statements of Cash Flows - Years Ended December 31, 2012, 2011 and 2010.

Consolidated Statements of Changes in Equity - Years Ended December 31, 2012, 2011 and 2010.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

Management's Report on Internal Control Over Financial Reporting.

2. Financial Statement Schedules

The following report of independent registered public accounting firm and consolidated financial statement schedule of TSYS are included:

Report of Independent Registered Public Accounting Firm.

Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 2012, 2011 and 2010.

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

3. Exhibits

The following exhibits are filed herewith or are incorporated to other documents previously filed with the SEC. Exhibits 10.4 through 10.35 pertain to executive compensation plans and arrangements. With the exception of those portions of the Annual Report and Proxy Statement that are expressly incorporated by reference in this Form 10-K, such documents are not to be deemed filed as part of this Form 10-K.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of February 19, 2013, by and among TSYS, General Merger Sub, Inc. and NetSpend Holdings Inc., incorporated by reference to Exhibit 2.1 of TSYS' Current Report on Form 8-K dated February 19, 2013.

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- 3.1 Articles of Incorporation of TSYS, as amended, incorporated by reference to Exhibit 3.1 of TSYS Current Report on Form 8-K dated April 30, 2009.

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- 3.2 Bylaws of TSYS, as amended, incorporated by reference to Exhibit 3.1 of TSYS Current Report on Form 8-K dated July 28, 2009.
- 10.1 Credit Agreement of TSYS with JPMorgan Chase Bank, N.A., as Administrative Agent, J.P. Morgan Securities LLC, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Regions Capital Markets and U.S. Bank National Association, as joint lead arrangers and joint bookrunners, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Regions Capital Markets and U.S. Bank National Association, as Syndication Agents, and the other lenders named therein, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated September 11, 2012.
- 10.2 Voting Agreement, dated as of February 19, 2013, by and among TSYS and JLL Partners Fund IV, L.P., JLL Partners Fund V, L.P., Oak Investment Partners X, Limited Partnership and Oak X Affiliates Fund, L.P., incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated February 19, 2013.
- 10.3 Commitment Letter, dated as of February 19, 2013, by and among TSYS, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and The Bank of Tokyo-Mitsubishi UFJ, Ltd., incorporated by reference to Exhibit 10.2 of TSYS Current Report on Form 8-K dated February 19, 2013

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

- 10.4 Total System Services, Inc. 2002 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as filed with the SEC on March 19, 2002.
- 10.5 Amended and Restated Total System Services, Inc. Deferred Compensation Plan, incorporated by reference to Exhibit 10.1 of TSYS Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, as filed with the SEC on August 9, 2010.
- 10.6 Amended and Restated Total System Services, Inc. Directors Deferred Compensation Plan, incorporated by reference to Exhibit 10.2 of TSYS Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 7, 2008.

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- 10.7 Wage Continuation Agreement of TSYS, incorporated by reference to Exhibit 10.7 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 1992, as filed with the SEC on March 18, 1993.
- 10.8 Split Dollar Insurance Agreement of TSYS, incorporated by reference to Exhibit 10.10 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 1993, as filed with the SEC on March 22, 1994.
- 10.9 Change of Control Agreement for executive officers of TSYS, incorporated by reference to Exhibit 10.17 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on February 29, 2008.
- 10.10 Split Dollar Insurance Agreement and related Executive Benefit Substitution Agreement, incorporated by reference to Exhibit 10.19 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as filed with the SEC on March 19, 2002.
- 10.11 Summary of Board of Directors Compensation, incorporated by reference to Exhibit 10.1 of TSYS Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, as filed with the SEC on August 6, 2012.
- 10.12 Form of Stock Option Agreement for stock option awards under the Total System Services, Inc. 2002 Long-Term Incentive Plan for grants made subsequent to January 17, 2006, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated January 17, 2006.
- 10.13 Form of Restricted Stock Award Agreement for restricted stock awards under the Total System Services, Inc. 2002 Long-Term Incentive Plan for grants made subsequent to January 17, 2006, incorporated by reference to Exhibit 10.2 of TSYS Current Report on Form 8-K dated January 17, 2006.
- 10.14 Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated April 24, 2007.
- 10.15 Form of Restricted Stock Award Agreement for restricted stock awards under the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated April 24, 2007.

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- 10.16 Form of Performance-Based Restricted Stock Award Agreement for performance-based restricted stock awards under the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.4 of TSYS Current Report on Form 8-K dated April 24, 2007.
- 10.17 Total System Services, Inc. 2012 Omnibus Plan (formerly named the 2008 Omnibus Plan), incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated May 4, 2012.
- 10.18 Form of Performance-Based Restricted Stock Award Agreement for performance-based restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated January 2, 2008.
- 10.19 Form of Revised Stock Option Agreement for stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.2 of TSYS Current Report on Form 8-K dated February 5, 2008.
- 10.20 Form of Retention Restricted Stock Award Agreement for retention restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated February 5, 2008.
- 10.21 Form of Performance-Based Retention Restricted Stock Award Agreement for performance-based restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.4 of TSYS Current Report on Form 8-K dated February 5, 2008.
- 10.22 Form of Revised Restricted Stock Award Agreement for restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.5 of TSYS Current Report on Form 8-K dated February 5, 2008.
- 10.23 Form of Amended and Revised Stock Option Agreement for stock option awards under the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated March 28, 2008.
- 10.24 Form of Amended and Revised Stock Option Agreement for 2008 stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated March 28, 2008.

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- 10.25 Form of Amended and Revised Stock Option Agreement for 2009 stock option awards under the Total System Services, Inc. 2007 and 2008 Omnibus Plans, incorporated by reference to Exhibit 10.40 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on February 27, 2009.
- 10.26 Form of Stock Option Agreement for 2010 stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.4 of TSYS Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, as filed with the SEC on May 7, 2010.
- 10.27 Form of Performance Share Agreement for 2010 performance share awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.5 of TSYS Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, as filed with the SEC on May 7, 2010.
- 10.28 Form of Performance-Based Special Stock Option Agreement for performance-based stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.6 of TSYS Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, as filed with the SEC on May 7, 2010.
- 10.29 Form of Non-Employee Director Fully Vested Stock Option Agreement for the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.37 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed with the SEC on February 28, 2011.
- 10.30 Form of Non-Employee Director Fully Vested Share Award Agreement for the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.38 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed with the SEC on February 28, 2011.
- 10.31 Form of Stock Option Agreement for 2011 stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, as filed with the SEC on May 6, 2011.
- 10.32 Form of Performance Share Agreement for 2011 performance share awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.2 of TSYS Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, as filed with the SEC on May 6, 2011.

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10.33	Form of Indemnification Agreement for directors and executive officers of TSYS, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated July 25, 2007.
10.34	Form of Senior Executive Stock Option Agreement for 2012 stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, as filed with the SEC on May 7, 2012.
10.35	Form of Senior Executive Performance Share Agreement for 2012 performance share awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.2 of TSYS Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, as filed with the SEC on May 7, 2012
13.1	Certain specified pages of TSYS 2012 Annual Report to Shareholders which are incorporated herein by reference.
21.1	Subsidiaries of Total System Services, Inc.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Powers of Attorney contained on the signature pages of this 2012 Annual Report on Form 10-K and incorporated herein by reference.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Annual Report on Form 11-K for the Total System Services, Inc. Employee Stock Purchase Plan for the year ended December 31, 2012 (to be filed as an amendment hereto within 120 days of the end of the period covered by this report).
101	Interactive Data File

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors

Total System Services, Inc.:

Under date of February 26, 2013, we reported on the consolidated balance sheets of Total System Services, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, cash flows, and equity for each of the years in the three-year period ended December 31, 2012, which are included in the December 31, 2012 annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in Schedule II. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Atlanta, Georgia

February 26, 2013

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Schedule II

Schedule Valuation and Qualifying Accounts

TOTAL SYSTEM SERVICES, INC.

Schedule II

Valuation and Qualifying Accounts

(in thousands)

	Balance at beginning of period	Additions Changes in allowances, charges to expenses and changes to other accounts	Deductions	Balance at end of period
Year ended December 31, 2010:				
Provision for doubtful accounts	\$ 1,616	500(1)	(134)(3)	\$ 1,982
Provision for billing adjustments	\$ 4,701	(1,297)(1)	(844)(3)	\$ 2,560
Transaction processing accruals - processing errors	\$ 5,484	3,891(2)	(4,235)(3)	\$ 5,140
Year ended December 31, 2011:				
Provision for doubtful accounts	\$ 1,982	1,899(1)	(1,773)(3)	\$ 2,108
Provision for billing adjustments	\$ 2,560	(347)(1)	(176)(3)	\$ 2,037
Transaction processing accruals - processing errors	\$ 5,140	3,763(2)	(3,581)(3)	\$ 5,322
Year ended December 31, 2012:				
Provision for doubtful accounts	\$ 2,108	2,045(1)	(1,539)(3)	\$ 2,614
Provision for billing adjustments	\$ 2,037	(991)(1)	251(3)	\$ 1,297
Transaction processing accruals - processing errors	\$ 5,322	2,803(2)	(6,401)(3)	\$ 1,724

- (1) Amount reflected includes charges to (recoveries of) bad debt expense which are classified in selling, general and administrative expenses and the charges for billing adjustment which are recorded against revenues.
- (2) Amount reflected is the change in transaction processing accruals reflected in cost of services expenses.
- (3) Accounts deemed to be uncollectible and written off during the year as it relates to bad debts. Amounts that relate to billing adjustments and transaction processing accruals reflect actual billing adjustments and processing errors charged against the allowances.

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SIGNATURES

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

TOTAL SYSTEM SERVICES, INC.
(Registrant)

Date: February 26, 2013

By: /s/ Philip W. Tomlinson
Philip W. Tomlinson,
Principal Executive Officer and Chairman of the Board

POWER OF ATTORNEY

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

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

/s/ Philip W. Tomlinson
Philip W. Tomlinson,
Principal Executive Officer and Chairman of the
Board

Date: February 26, 2013

/s/ M. Troy Woods
M. Troy Woods,
President and Director

Date: February 26, 2013

/s/ James B. Lipham
James B. Lipham,
Senior Executive Vice President and Principal
Financial Officer

Date: February 26, 2013

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/s/ Dorenda K. Weaver Dorenda K. Weaver, Chief Accounting Officer	Date: February 26, 2013
/s/ James H. Blanchard James H. Blanchard, Director	Date: February 26, 2013
/s/ Richard Y. Bradley Richard Y. Bradley, Director	Date: February 26, 2013
/s/ Kriss Cloninger III Kriss Cloninger III, Director	Date: February 26, 2013
/s/ Walter W. Driver, Jr. Walter W. Driver, Jr., Director	Date: February 26, 2013
/s/ Gardiner W. Garrard, Jr. Gardiner W. Garrard, Jr., Director	Date: February 26, 2013
/s/ Sidney E. Harris Sidney E. Harris, Director	Date: February 26, 2013
/s/ Mason H. Lampton Mason H. Lampton, Director	Date: February 26, 2013
/s/ H. Lynn Page H. Lynn Page, Director	Date: February 26, 2013

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/s/ John T. Turner
John T. Turner,
Director

Date: February 26, 2013

/s/ Richard W. Ussery
Richard W. Ussery,
Director

Date: February 26, 2013

/s/ James D. Yancey
James D. Yancey,
Director

Date: February 26, 2013

/s/ Rebecca K. Yarbrough
Rebecca K. Yarbrough,
Director

Date: February 26, 2013